

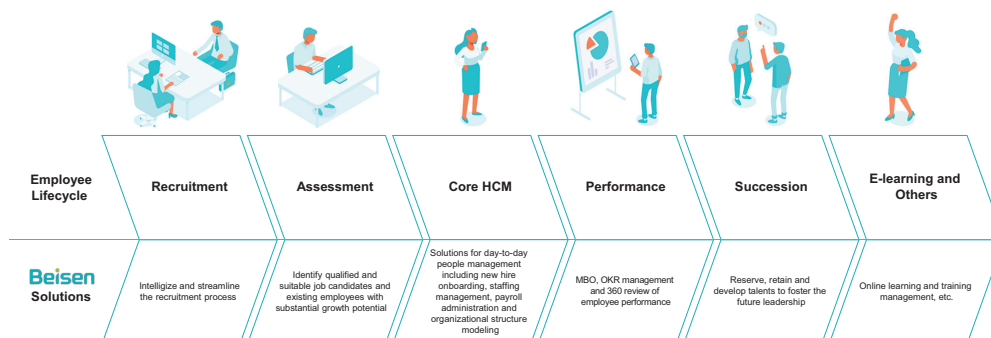
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OVERVIEW

We are the largest provider of cloud-based HCM solutions in China in terms of revenues in 2021, according to CIC. Our platform iTalentX delivers cloud-native SaaS products, namely our cloud-based HCM solutions, for enterprises to recruit, evaluate, manage, develop and retain talents efficiently. Our platform is the first and the only in the industry to offer a full suite of cloud-based applications covering organization’s HCM needs throughout the entire employee lifecycle, according to CIC. We offer integrated cloud-based HCM solutions that synchronize use cases and the underlying employee data for our customers. Through effective use case and data integration across our different HCM solutions, we enable customers to leverage such data to gain insights into workforces and inform their HCM and broader business decisions. According to CIC, we are also the only cloud-based HCM solutions provider in China that has built a unified and open PaaS infrastructure, which greatly improves our development efficiency, supports rapid application expansion, and meets customers’ ever-changing needs.

Enterprises in China today have been growing in size and operate in highly competitive environments. To be successful, enterprises’ demand for high-quality talents is rising, but the imbalance between talent supply and demand makes it urgent for them to improve the efficiency and effectiveness of human capital management through digital means. At the same time, with the development of mobile internet and the change of employee demand, enterprises look for comprehensive functionality and ease-of-use HCM solutions that cater to the needs of new generations of users. Enterprises are also looking for ways to develop insights to inform decision-making process. However, these needs haven’t been effectively met due to limitations of existing solutions.

Beisen was created to meet the evolving needs. Our iTalentX is purpose built to offer enterprises comprehensive HCM solutions which are integrated. We offer (i) Recruitment Cloud to intelligize and streamline the recruitment process; (ii) Assessment Cloud for enterprises to identify qualified and suitable job candidates and existing employees with substantial growth potential to foster a strong team, based on our people science expertise and know-how; (iii) Core HCM Solutions for day-to-day people management including new hire onboarding, staffing management, payroll administration and organizational structure modeling; (iv) Performance Management Cloud for tracking of MBO and OKR management and review of employee performance; (v) Succession Cloud to reserve, retain and develop talents to foster the future leadership, as well as other solutions, such as E-learning Cloud, catering to a wide variety of HCM use cases. Our iTalentX enables our customers to not only improve all aspects of people management, but also operate with a complete picture of their organization. We offer data analytics tools powered by our business intelligence and artificial intelligence capabilities to facilitate fast and informed decision-making.



The bedrock of the iTalentX platform is our cloud-based PaaS infrastructure, which enables new applications to be developed easily and efficiently. Our PaaS infrastructure enhances the scalability and adaptability of our HCM solutions more efficiently and at lower cost. For example, the

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out-of-the-box functionality of our PaaS infrastructure eliminates the need to build core modules for applications from scratch. Through the low code or no code development tools our PaaS infrastructure offers, developers can simply drag and drop pre-configured modules and functionality with little to no coding required to quickly build and expand applications as business grows. This enables us and our customers and business partners to conveniently develop tailor-made functionalities for specific use cases, providing them flexibility to adapt to changing business environments. In addition, our PaaS infrastructure provides a shared software development platform that allows developers to build and scale modules quickly without the need to purchase additional compute, storage and networking capacity in anticipation of traffic spikes, as a traditional on-premise business model typically requires.

We strategically focus on medium-to-large sized enterprises as we believe our success lies in a high quality and loyal customer base. Our customer base included over 4,900 players across various large-scale and fast-growing industries as of September 30, 2022, covering a vast majority of the top 10 players in technology, real estate, financial services, and automotive and manufacturing sectors. Additionally, over 70% of Fortune China 500 companies are our customers as of September 30, 2022. In the trailing twelve months ended September 30, 2022, we achieved a subscription revenue retention rate of 113%.

We derive our revenues primarily from subscription fees charged to customers for our HCM solutions. Subscription model generating recurring revenues not only allows us to facilitate and benefit from our customers’ success and long-term growth but also gives us visibility into our future operating results. In recent years, we have achieved considerable business and financial growth. We generated RMB437.4 million, RMB570.0 million, RMB729.3 million, RMB887.7 million and RMB907.9 million of total bookings for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the trailing twelve months ended September 30, 2022, respectively. Our total revenues increased from RMB382.3 million for the fiscal year ended March 31, 2019 to RMB458.5 million for the fiscal year ended March 31, 2020 and RMB556.3 million for the fiscal year ended March 31, 2021, and further to RMB679.6 million for the fiscal year ended March 31, 2022, and from RMB312.8 million for the six months ended September 30, 2021 to RMB350.8 million for the six months ended September 30, 2022. Revenues generated from subscriptions to our cloud-based HCM solutions amounted to RMB209.0 million, RMB259.4 million, RMB349.1 million, RMB463.5 million and RMB253.3 million for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively, representing approximately 54.7%, 56.6%, 62.7%, 68.2% and 72.2% of our total revenues during the respective periods. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we recorded gross margin of 60.6%, 59.8%, 66.4%, 58.9% and 54.0%, respectively.

INDUSTRY BACKGROUND AND OPPORTUNITY

According to CIC, China’s HCM market is one of the largest HCM markets in the world, with a market size of RMB660.8 billion in 2021. CIC expects the market to grow to reach RMB1,625.9 billion in 2027, representing a CAGR of 16.2% from 2021 to 2027. The cloud-based HCM solutions penetration rate in the HCM market in China, calculated by dividing the size of the cloud-based HCM solutions market by that of the total HCM market, was only 0.8% in 2021, compared to 6.9% in the United States, representing a tremendous opportunity for cloud-based HCM solutions providers to continue to take market share. According to CIC, the market for cloud-based HCM solutions in China is expected to grow at a CAGR of 32.9% from 2021 to 2027, more than doubling the CAGR of 13.5% of on premise HCM software. CIC expects the market share of cloud-based HCM solutions to exceed that of on premise HCM software and reach 51.6% in 2027.

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There are significant unmet needs of enterprises in China:

- ***Unaddressed demand for digitalized all-in-one HCM solutions***
 - As enterprises have grown larger in size with complex business environments, digitalized HCM solutions have become increasingly important. However, a large number of enterprises have yet to achieve digitalization, which results in low efficiency in their human capital management.
 - Many existing HCM solution providers offer incomplete product suites that deliver only a portion of the capabilities required by enterprises. Enterprises looking to upgrade their HCM systems typically need to use and integrate different solutions from multiple vendors. This leads to discontinuation in business scenarios and business fragmentation, which greatly reduces internal operational efficiency. User experience is also suboptimal as employees have to log into multiple portals to access different product modules.
 - Data is segregated across different systems without tools to integrate them to generate meaningful insights. Customers lack sophisticated and easy-to-use tools needed to access, analyze and act on employee data in real-time and are unable to make critical and informed decisions based on actionable workforce insights.
- ***Lack of a well-designed human capital management process in place***
 - Providers of traditional HCM solutions only provide generic out-of-the-box functionality and do not have the expertise and know-how to give proper advice to the enterprises on how to optimize human capital management process and empower employee career development. Enterprises in China not only look for software solution, but also crave guidance on how to optimize their human capital management process, especially in relation to how to identify, develop and retain talents.
- ***Lack of customization at low cost to meet the needs of medium-to-large sized enterprises***
 - Installed software cannot be upgraded after the initial customization, making it difficult to respond to the evolving business environments such as changes in individual income tax law, electronic signature requirements and personal information protection law.
 - Most existing HCM solutions are built on inflexible, closed technology architectures. Changes to their standard solutions are particularly difficult and take long delivery time at high development cost.
- ***Lack of solutions under specific industry scenarios***
 - Nowadays, most cloud-based software only provides a set of general solutions for customers, without in-depth understanding of vertical industries, such as shift scheduling management in the manufacturing industry and store management in the retail chain industry, and is unable to meet customer needs in specific industry scenarios.
- ***Lack of satisfying employee user experience***
 - Traditional HCM solutions are more focused on human resources than employees. With the Generation Z, who are more focused on achievement and capability

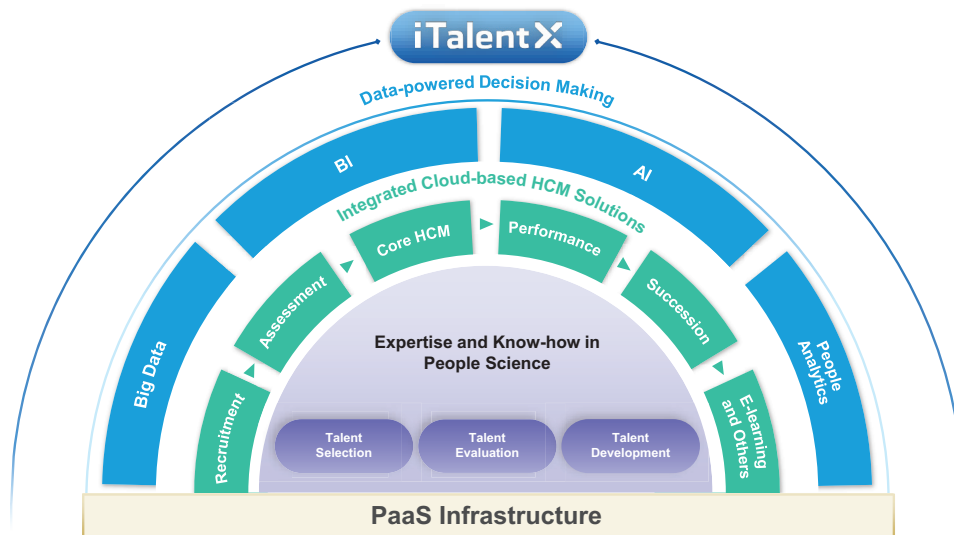
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development, becoming the main force in the workplace, it has been increasingly difficult for traditional HCM solutions to meet the growing demand of Generation Z.

- Many existing solutions have arcane, inflexible user interfaces that lack the intuitive and easy-to-navigate features of modern SaaS applications. As the Generation Z enters the workplace, the next-generation software solutions need to be employee-centric.

OUR SOLUTIONS – ITALENTX

iTalentX is synonymous with our holistic approach to address customers’ HCM needs, from the PaaS infrastructure as the foundation to data insights informing the decision-making, and from self-developed cloud-based HCM solutions building on top of the PaaS infrastructure to expertise and know-how in people science that are deeply integrated with such software solutions. iTalentX is a cloud-native and multi-layer architecture that becomes more sophisticated as our business grows. All of our cloud-based HCM solutions are currently built and operate on the iTalentX platform. The chart below illustrates the key components of our iTalentX platform.



- *PaaS infrastructure.* At the bottom of our iTalentX platform is our cloud-native, multi-tenant and metadata-based PaaS infrastructure, on which we build and expand our cloud-based HCM solutions. As the bedrock of our solutions and services, our unified and open PaaS infrastructure increases our application development efficiency, supports rapid application expansion, and fulfills customers’ ever-changing personalized business needs. Our PaaS infrastructure serves as the backbone to the iTalentX platform and is used mainly by our in-house developers to build and expand our cloud-based HCM solutions. For more details, see “—Our Technology—PaaS Infrastructure.”
- *Expertise and know-how in people science.* We believe our expertise and know-how in people science differentiates us from our competitors. We design our cloud-based HCM solutions to be deeply integrated with our profound industry insights in talent selection, assessment and development. This makes our solutions more than standardized software streamlining customers’ human capital management process, but also solutions with methodology and know-how to identify, develop and retain talents. For more details, see “—Key Benefits of Our Products – Expertise and Know-how in People Science.”
- *Integrated cloud-based HCM solutions.* With our expertise and know-how in people science at the core and PaaS infrastructure as the foundation, we offer a comprehensive

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suite of self-developed HCM applications covering the entire employee lifecycle. Our key modules include Recruitment Cloud, Assessment Cloud, Core HCM Solutions, Performance Management Cloud, Succession Cloud, E-learning Cloud and others.

- *Data-powered decision making.* The effective data integration and information exchange across our different HCM solutions has laid a solid foundation for our robust data analytics capabilities. Building upon our big data and AI technologies, we have established a business intelligence and people analytics engine that is capable of transforming customers’ fragmented employee data into actionable insights into their human resources that inform strategic and tactical business decision-making. We also provide customers with a variety of off-the-shelf indicators, allowing them to analyze their human resources data against the best practices in diverse industries and business scenarios.

KEY BENEFITS OF OUR PRODUCTS

- **Integrated solution**
 - We offer our customers a full-scenario integrated HCM solution with modules covering all user cases throughout the entire employee lifecycle, including recruitment, onboarding, staffing management, payroll, attendance, performance, succession, e-learning and resignation.
 - We provide a unified product experience, enabling customers to access all features and HR-related work through an integrated portal and a single account.
 - We build all applications on a single platform with inherent data integration to facilitate platform-wide cross-module data correlation analysis, enabling customers to work in an open, intuitive and collaborative way and empowers people analytics and smart decision-making process.
- **Expertise and know-how in people science**
 - Our solutions are people-centric, helping enterprises optimize their human capital management systems and empower their employee career development. Our expertise and know-how in people science focuses on three areas:
 - *Talent selection:* identifying the key skill sets, qualities, leadership capabilities and growth potential needed in a job candidate, by leveraging our expertise and know-how and the theoretical framework and methodology of talent management we developed over the past decades.
 - *Talent assessment:* evaluating how well candidates meet the requirements of a job position and fit the overall culture of an organization, taking into account their individual capabilities and our customers’ business needs and corporate values.
 - *Talent development:* developing the abilities of an employee to fit in the current or the next position and to achieve rapid growth into a high-potential talent.
 - Our expertise and know-how in people science are embedded in our HCM solutions. We not only sell standardized solutions, but also offer enterprises advice to optimize their human capital management process.

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- **Scalable PaaS infrastructure with innovative technology foundation**
 - Our cloud-native, multi-tenant, metadata-based PaaS infrastructure is adaptable. Customization is easily achievable with drags and clicks, which significantly improves configuration efficiency and reduces development cost.
 - Customers can use the low-code or no-code development tools based on our PaaS infrastructure to optimize the deployment process in a timely, cost-effective manner to meet the ever-changing business needs.
- **Comprehensive and differentiated solutions suitable for different industry scenarios**
 - We build a unified suite of applications with generic industry characteristics.
 - We provide modules specifically tailored for different industries such as real estate, retail, manufacturing, internet, education and finance and insurance services based on our PaaS capabilities and extensive industry experience.
- **Easy and intuitive user interface with better user experience for employees**
 - Our websites and mobile applications provide enterprises’ employees with easy and convenient access to our products and services.
 - We provide user experience similar to consumer internet applications. Our user interfaces are intuitive and easy to navigate, with a chatbot that provides 24/7 automated customer support.

OUR COMPETITIVE STRENGTHS

As the leader in China’s cloud-based HCM solutions market, Beisen has become the brand of choice for human capital management services. With the virtuous circle for growth established, we have created a moat to maintain competitive advantages over competitors:

- **Leader in China’s cloud-based HCM solutions market:** We are the largest company in the cloud-based HCM solutions market in China in terms of revenues in 2021, according to CIC. We stand on the forefront of our industry with 11.6% market share in 2021, which is larger than the second and third players combined in the same year.
- **Brand of choice for human capital management services:** We have established significant presence across China with strong brand awareness, as evidenced by a number of awards and recognitions, including the Best HRTech Service Institute in 2020 awarded by HRTech China, a reputable business service platform in China focused on human resources technology. As of September 30, 2022, the number of our customers was over 4,900. In addition, we have covered a vast majority of the top 10 players in technology, real estate, financial services, and automotive and manufacturing sectors and over 70% of Fortune China 500 companies.
- **The first and only provider of integrated cloud-based HCM solutions in China:** According to CIC, we are the first and the only enterprise in China capable of providing integrated cloud-based HCM solutions covering the entire employee lifecycle by synchronizing different modules and data, and we are also the only cloud-based HCM solutions provider in China that has built a unified and open PaaS infrastructure. This unique integration approach enables us to build long-term customer relationships and loyalty and creates significant cross-selling opportunities as customers tend to address

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their HCM needs on a single, integrated platform for higher efficiency. As customers use more of our solutions, customer stickiness continues to grow due to increasing switching cost, as evidenced by our growing subscription revenue retention rate over time.

- **Proprietary talent management methodology and extensive industry insights:** We have a set of talent selection, assessment and development technology integrated with cross-disciplinary knowledge covering psychology and management to help enterprises define, identify and develop talents and help talents achieve career success. By soliciting inputs from our customers, we have created a valuable feedback loop through which we gain insights about how to improve our HCM solutions in real-world use cases across different industries. We are well-positioned to provide human capital management insights to our customers due to our theoretical framework and methodology as well as the breadth and depth of the vast amount of our industry experience and know-how.
- **Effective go-to-market strategy:** Our platform may begin in any product and then organically expand across departments. This “land and expand” model has led to some of our largest deployments. This integrated solution creates significant upselling and cross-selling opportunities, thereby improving our sales efficiency. Our efficient go-to-market strategy is a key driver of our growth. In the trailing twelve months ended September 30, 2022, we achieved a subscription revenue retention rate of 113%.
- **Experienced management team and motivating corporate culture:** We are privileged to be led by visionary management team with solid technology background and in-depth understanding of the industry. Our Co-founders Mr. Wang and Mr. Ji have nearly 20 years of experience in the HCM industry and corporate management, who bring us a wealth of deep professional insights and industry know-how to achieve our long-term success. Our management team has set the tone for our people through years of efforts and built well-established organizational mechanisms and internal processes to ensure the following values are effectively implemented:
 - *Customer Success:* We always put our customers first and help them succeed. This is a principal tenet of our business. We provide integrated solutions and attentive services, keep following the changes in customers’ business, set quantitative goals for customers, monitor the outcome, and continuously improve and optimize our solutions to meet their evolving needs. Our investment in customer success ensures customer satisfaction and long-term relationships.
 - *Striving for Win:* Endeavors in last two decades led to our continued business growth and past success. As the leading provider of integrated cloud-based HCM solutions in China, we are equipped with hard-working talents who create real, meaningful and sustainable value for our customers.
 - *Simple and Sincere:* We are firm believers in simplicity and sincerity. We strive to deliver solutions which are “simple” and user-friendly as we believe great truths are always simple. We treat our team and customers with sincerity and respect, from our founding team to our employees across all our offices nationwide.
 - *Professional Excellence:* We always uphold a professional attitude with attention to every single detail. We invest in research and development, constantly improve our solutions and provide professional services to fulfill our goal—to empower enterprises in China to develop world’s leading people management capabilities.

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OUR GROWTH STRATEGIES

We plan to achieve our goals by adopting the following strategies:

- **Product Driven: Continuing to upgrade our integrated cloud-based HCM solutions**
 - Alongside the fast-growing cloud-based HCM solutions market in China, we are dedicated to continuing to leverage our leading industry experience and technological capabilities to offer better customer experience by upgrading our comprehensive and integrated cloud-based HCM solutions.
 - We will continue to develop new features, deepen the industry scenarios and improve interactive visual effects on the existing modules, and therefore further optimize our products and services to meet various industry and group of personalized customization business demands of different customers.
 - We plan to continuously develop new HCM solutions catering to diverse use cases. Through vertically expanding our existing HCM solutions, including recruitment, assessment, e-learning, complex remuneration, employee experience platforms and continuous performance management module, we intend to reinforce our leadership position in integrated HCM solutions.
- **Customer Oriented: Expanding to a more diversified customer base while creating more value for customers in the long-term**
 - We will continue to recruit more experienced and skilled sales personnel, enhance the expertise of our sales force, build our brand reputation and improve marketing efficiency. We aim to leverage our extensive industry experience to cover leading players in more industry verticals. In addition, as we intend to penetrate further in Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou, which we refer to as “top-tier cities,” where we have already built a strong track record, we also plan to capitalize on our brand awareness and reputation and use marketing tools to cover reputable enterprises located in fast-growing non-top-tier cities, to continue scale our quality customer base, achieving the expansion of our marketing network.
 - We are dedicated to maintaining long-term relationships with our customers and creating long-term value for them. We plan to keep investing resources into our product and service matrix to provide customers with more refined and comprehensive solutions and services, and improve our customer retention.
 - We will encourage our existing customers with single-module subscriptions to purchase our solutions that have higher unit price and additional professional services. We will introduce more solutions and services to our existing customers, encourage them to purchase different modules to promote cross-selling and therefore further increase customer value and improve sales and marketing efficiency.
- **Business Partner Oriented: Continuing to develop PaaS infrastructure to form an open ecosystem for developers and business partners**
 - We will enhance our research and development capabilities and breakthroughs in key technologies, and continuously build our PaaS infrastructure and ecosystem centered on cloud-based HCM solutions for our customers and developers for software application development, and eventually build an open ecosystem for external developers and business partners to reduce our development cost.

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- At present, we are implementing two strategies, *PaaS For Beisen* and *PaaS For Customer*. Firstly, we can significantly improve our research and development efficiency through our PaaS infrastructure, especially our integrated research and development efficiency in multi-product lines. Secondly, we use our PaaS infrastructure to help our customers and business partners expand HCM applications easily and meet specific business requirements. We expect this to not only strengthen our ecosystem, but also improve customers’ satisfaction.
- We will further open our PaaS infrastructure to allow more developers and business partners to develop applications under our PaaS ecosystem. Additionally, we seek to explore commercialization opportunities to monetize our PaaS infrastructure. For more details of our plan to upgrade and monetize our PaaS infrastructure, see “Future Plans and Use of [REDACTED].”
- **Talent Oriented: Attracting and retaining talents to reinforce our leadership position**
 - We highly value our employees and will continuously invest resources into attracting, retaining and powering talents.
 - We believe talents are the cornerstone of our long-term success. We will provide clear career paths and competitive compensations to our employees, and attract potential candidates with educational background and work experience that align with our development priorities. For example, we will continue to recruit technological specialists to help with algorithm upgrades and software development. Additionally, we intend to hire additional sales and marketing veterans to enhance our customer acquisition capability.
 - We have a unified culture and uplifting working environment, which we believe are crucial for our employee work ethics. We plan to continuously foster our corporate culture, create pleasant working environments, and improve our talent training system to help them achieve career advancement and goals and realize self-worth and accomplishment. For example, we plan to provide internal training courses to new hires while offering continuous learning and growth opportunities to our experienced employees, which enhances employee retention, benefits our talent growth and advances our corporate development.

OUR OFFERINGS

Our offerings feature a wide array of (i) cloud-based HCM solutions, and (ii) professional services. Through our holistic portfolio of solutions and services, we provide a one-stop solution to our customers, covering the full spectrum of use cases throughout the employee lifecycle.

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The table below sets forth our offerings of solutions and services and their respective revenue models:

Offerings Type	Description	Business Model	Pricing and Revenue Recognition
Cloud-based HCM Solutions	<p>Our cloud-based HCM solutions consist of the following comprehensive suite of cloud-native, standardized HCM solutions covering a variety of use cases across the entire employee lifecycle:</p> <p>Recruitment Cloud, a technology-enabled talent recruitment application designed to integrate and analyze different recruitment channels to allow customers to effectively expand candidate sourcing and build a strong talent pipeline.</p> <p>Assessment Cloud which consists of a variety of scientific, effective talent tests and AI-powered, digital assessment tools to help customers comprehensively evaluate current and prospective employees.</p> <p>Core HCM Solutions which seamlessly integrate Human</p>	<ul style="list-style-type: none"> We consider organizations that subscribe for our cloud-based HCM solutions to be our customers. We generate revenues from the subscriptions fees charged to customers. We typically enter into subscription agreement with a term of one year with renewal options with customers. From time to time, we also enter into long-term subscription agreements with a term of three years with selected customers. Pursuant to the subscription agreement, subscription fees are charged to customers either under: <ul style="list-style-type: none"> (i) unlimited access subscription model, where we give customers unlimited access to one or more of our cloud-based HCM solutions over the contract term; or (ii) the “limited usage” model, where customers first purchase Sendou (森豆) from us, and then acquire access to our cloud-based HCM solutions by consuming a certain amount of Sendou. For more information about Sendou, see “Business—Our Offerings—Cloud-based HCM Solutions—Pricing and Payment.” 	<ul style="list-style-type: none"> Subscription fees for our cloud-based HCM solutions charged to our customers are generally determined based on the size of their workforce and the specific solution the customers subscribe for. Under unlimited access subscription model, revenue is generally recognized over the contract term. Under the “limited usage” model, revenue is recognized upon Sendou is consumed or expired, whichever is later.
	<p>Resources Cloud, Payroll Cloud and Attendance Management Cloud to cater to organizations’ core human capital management needs.</p> <p>Performance Management Cloud which allows customers to align employee goals to and continually track progress against high-level strategies of the organization, and supports the process of creating, monitoring and assessing employee goals across the organization.</p> <p>Succession Cloud provides real-time visibility into customers’ talent pipeline and potential successors within</p>		

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Offerings Type	Description	Business Model	Pricing and Revenue Recognition
Professional Services	<p>their existing workforce from senior executives to individual contributors.</p> <p>E-Learning Cloud is an online learning and training management platform designed for enterprise customers, supporting key use cases such as online courses, learning plans, online exams and training management.</p> <p>People Analytics Solutions provide customers with a variety of off-the-shelf indicators, allowing them to analyze their human resources data in diverse industries and business scenarios, and inform their business decisions through our one-stop data analytics platform.</p>	<ul style="list-style-type: none"> Customers typically are invoiced upon signing of the subscription agreement and shall pay upfront before we deliver our HCM solutions. When customers subscribe for our cloud-based HCM solutions, they typically will purchase from us implementation and other ancillary services. See “Professional Services” below. 	<ul style="list-style-type: none"> We typically charge our customers service fees based on a number of factors, including the type of services selected by our customers, the number of our technical specialists staffed on a given project, and the duration of our services. Revenues from implementation services are recognized over the estimated service period. Revenues from value-added services are recognized on a straight-line basis over the contract term if the services meet the criterion that control of the services is transferred over time. Otherwise, we recognize revenue from value-added services at a point of time.
Professional Services	<p>When customers subscribe for our cloud-based HCM solutions, they typically will purchase from us implementation services that are necessary to get the solutions up and running, as well as certain other ancillary services. We refer to such services collectively as “professional services.” We typically do not make professional services available to customers without the cloud-based HCM solutions.</p> <p>Our professional services include:</p> <p>Implementation Services, through which we assist customers with configuration and testing of our solutions, either on-site at customers’ offices or remotely, ensuring effective integration with and smooth ongoing operation on customers’ existing systems.</p>	<ul style="list-style-type: none"> Purchases of professional services by customers are made under the subscription agreements pursuant to which they subscribe for our cloud-based HCM solutions. As discussed above under “Cloud-based HCM Solutions”, such subscription agreements typically have a term of one year and, in limited cases, three years. Under the subscription agreements, professional services are typically charged a price separate from those of cloud-based HCM solutions. Customers typically are invoiced upon signing of the subscription agreement and shall pay upfront before we provide our professional services. 	<ul style="list-style-type: none"> Revenues from implementation services are recognized over the estimated service period. Revenues from value-added services are recognized on a straight-line basis over the contract term if the services meet the criterion that control of the services is transferred over time. Otherwise, we recognize revenue from value-added services at a point of time.
	<p>Value-added Services</p> <ul style="list-style-type: none"> <i>Workforce optimization advisory services</i>, designed to help customers better understand the data insights 		

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Offerings Type	Description	Business Model	Pricing and Revenue Recognition
	<p>generated by our solutions, put such data insights into action, and optimize their workforce.</p>		
	<ul style="list-style-type: none">• <u>Customized product development services</u> refer to the one-off customized product development services via our PaaS infrastructure to help customers develop features and functionalities that cater to customers' specific business use cases.		
	<ul style="list-style-type: none">• <u>PaaS related services</u>. In limited circumstances, we allow in-house IT specialists from selected large-size customers of our cloud-based HCM solutions to use our PaaS infrastructure to develop tailor-made applications and functions for their specific business needs and use cases. We currently do not charge any fees for, nor do we generate any revenue from, the foregoing usage of our PaaS infrastructure by customers. While customers can use our PaaS-related services where their in-house IT specialists can develop tailor-made applications using PaaS infrastructure with no or very limited intervention by our developers, they can also pay for our customized product development services where our developers do the customization for the customers based on their specific requirements and preferences. Since developing software requires highly professional software development teams and expertise, it is typically those large enterprises with strong software development capabilities and experience that choose to use our PaaS-related services.		

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The table below sets forth a breakdown of our revenues by offering type for the periods indicated.

	For the year ended March 31,								For the six months ended September 30,			
	2019		2020		2021		2022		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except percentages)											
Cloud-based HCM solutions	209,023	54.7	259,449	56.6	349,073	62.7	463,467	68.2	209,534	67.0	253,268	72.2
Professional services	173,255	45.3	199,088	43.4	207,254	37.3	216,160	31.8	103,256	33.0	97,498	27.8
Total	382,278	100.0	458,537	100.0	556,327	100.0	679,627	100.0	312,790	100.0	350,766	100.0

The professional services revenue presented in the table above include revenue from Beisen Shengya which we disposed of in September 2021 and Ruizheng HR Management which we disposed of in July 2020, other than revenue from our current implementation services and value-added services. Excluding inter-company transactions with the rest of the Group, (i) in the fiscal years of 2019, 2020, 2021 and 2022, revenues generated from Beisen Shengya were RMB40.6 million, RMB42.5 million, RMB46.8 million and RMB20.3 million, respectively; and (ii) in the fiscal years of 2019 and 2020, revenues generated from Ruizheng HR Management were RMB27.8 million and RMB13.2 million, respectively. For more information about Beisen Shengya and Ruizheng HR Management, see “—see “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries.”

Cloud-based HCM Solutions

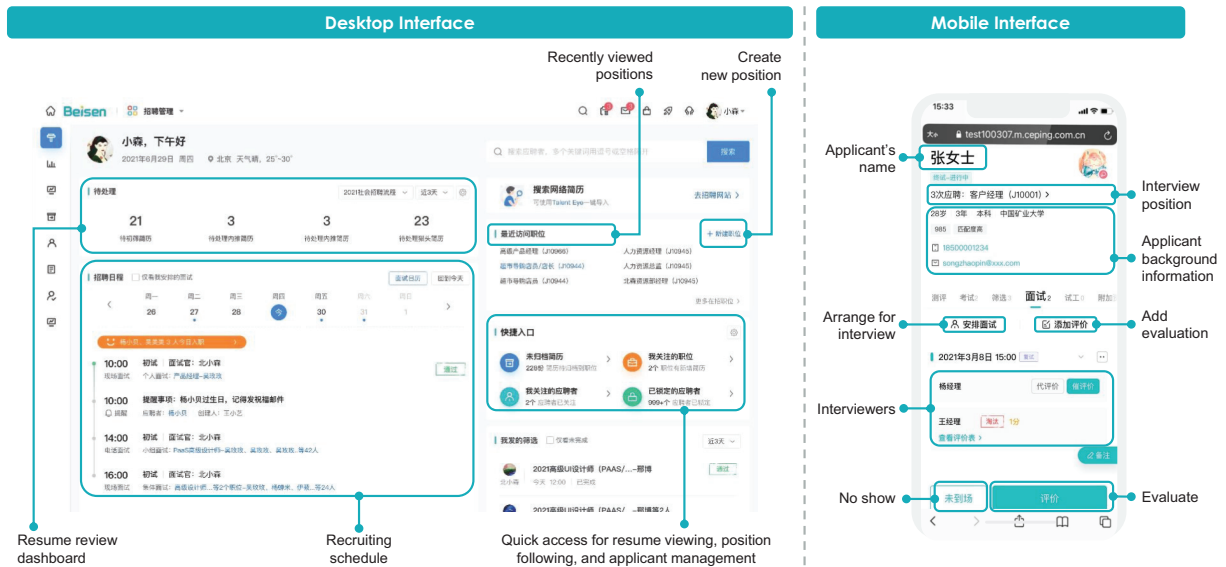
We offer a comprehensive suite of cloud-native, standardized HCM solutions covering a variety of customers’ use cases across the entire employee lifecycle—from recruitment to departure and retirement—enabling our customers to effectively recruit, evaluate, manage, develop and retain talents. We enable customers to embrace technology innovations and changes in their operating environments through our rapid product iteration cycle with software updates for our HCM solutions launched every two months. Through this broad yet growing selection of adaptable and accessible HCM solutions, we are leading the way in helping organizations intelligize and optimize their human resources management.

Our main HCM solutions include:

Recruitment Cloud. Recruitment Cloud is a technology-enabled talent recruitment application, designed to help the human resources functions within organizations intelligize and streamline the recruitment process. Recruitment Cloud effectively integrates and analyzes different recruitment channels in one place, allowing customers to expand candidate sourcing and build a strong talent pipeline. Through Recruitment Cloud, HR and business managers may post job openings on multiple channels with just a few clicks, collect and analyze resumes, interview job candidates through diverse methods, and customize job offers. Recruitment Cloud also offers smart tools enabling instant communications and interactions among various parties, including HR and business managers, interviewers, job candidates and headhunters, to significantly streamline and accelerate the recruitment process.

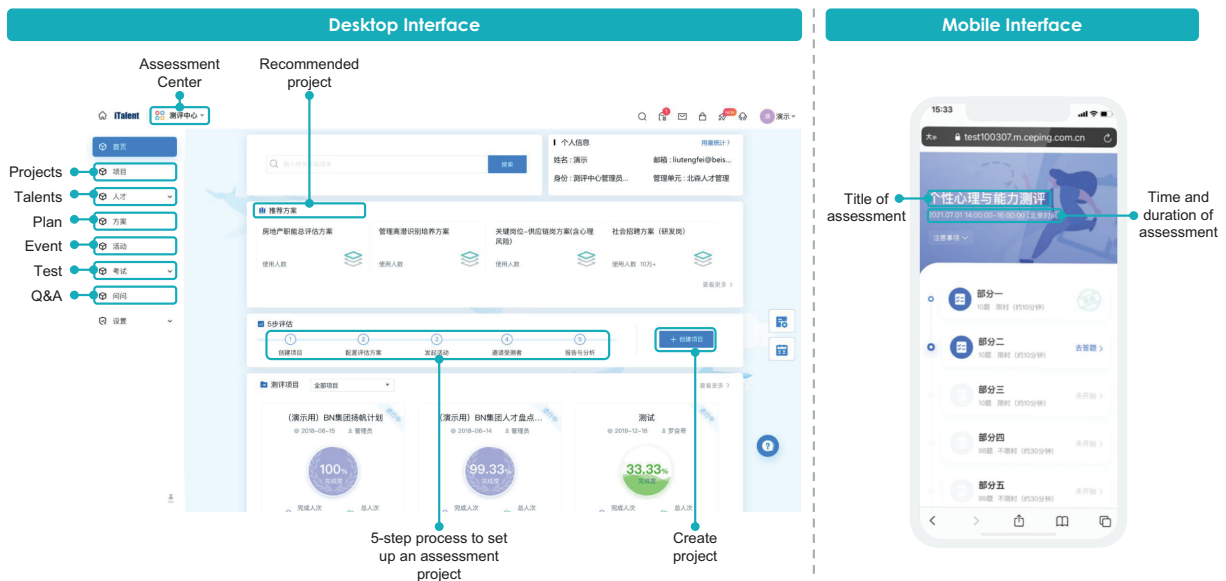
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The following screenshots illustrate the interfaces and key functions of our Recruitment Cloud.



Assessment Cloud. Through a variety of scientific, effective talent tests and AI-powered, digital assessment tools, Assessment Cloud is designed to help customers comprehensively evaluate current and prospective employees, from their skill sets, capabilities to growth potential. When used during the recruitment process, Assessment Cloud offers all-round assessments on individual capabilities and requirements for a specific job position to help customers identify the most suitable candidates based on their specific business needs. When used to evaluate their existing workforce, Assessment Cloud helps customers build a stronger and sustainable team by allowing them to gain insight into training needs of their workforce, identify and retain talents with growth potential, optimize team structure and foster leadership.

The following screenshots illustrate the interfaces and key functions of our Assessment Cloud.



Core HCM Solutions. We offer Core HCM Solutions to cater to organizations’ core human capital management needs from new hire onboarding to everyday staffing management, and from

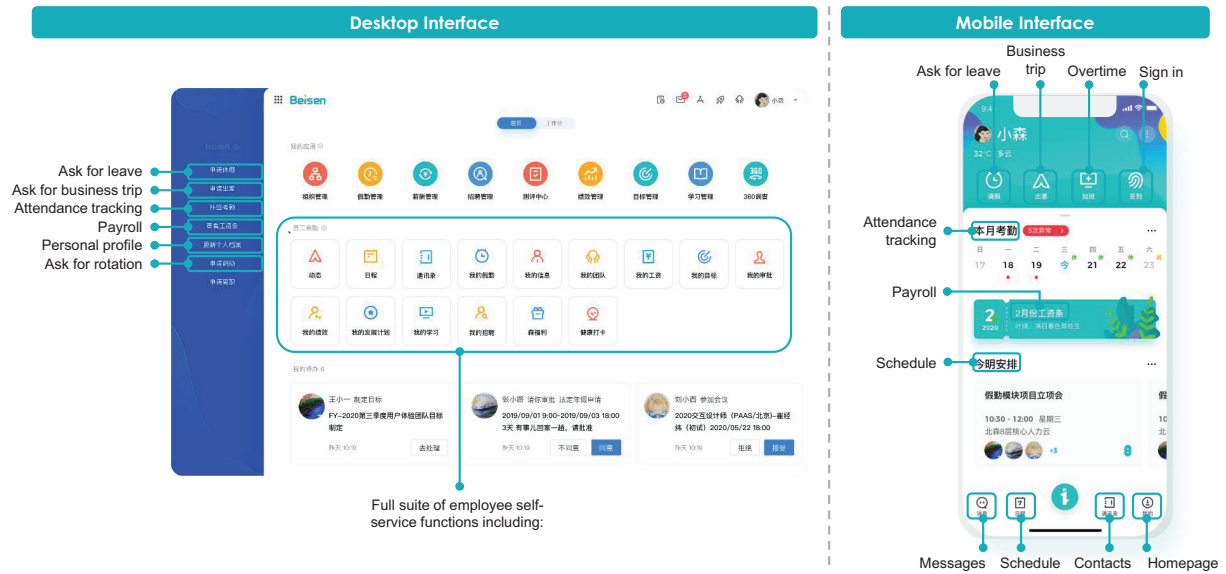
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employee payroll administration to more sophisticated organization-wide initiatives, such as organizational structure modeling. Our Core HCM Solutions integrates seamlessly the following modules, which customers also have the option to purchase on a standalone basis:

- ***Human Resources Cloud.*** Human Resources Cloud is a process-driven human resources management application, designed to help organizations streamline administration and workforce management throughout the entire employee lifecycle. Human Resources Cloud enables customers to analyze and model organizational structures, and restructure organizations and reporting relationships as business needs evolve. Human Resources Cloud streamlines administration process by allowing incoming employees to review and sign employment contracts online, upload required documents and complete other onboarding procedures easily through mobile devices, which substantially improves employee experience. Human Resources Cloud also enables our customers to archive and analyze in one place an employee’s information throughout the employee lifecycle, allowing significant insights into the employee’s profile to inform the organization’s talent development and retention decision making.
- ***Payroll Cloud.*** Payroll Cloud is a sophisticated payroll application designed to address diverse enterprise payroll needs with accuracy and flexibility. Payroll Cloud allows our customers to design and administer payroll programs, calculate social security contributions, and manage income tax calculation and withholding, all based on a unified set of payroll data. We adjust our social security and tax calculation algorithms in response to regulatory updates on a real-time basis, which helps customers adapt to the complex and fast-changing regulatory environment in China. In addition, Payroll Cloud assists with labor cost analysis, budgeting and monitoring, allowing refined labor cost control and management.
- ***Attendance Management Cloud.*** Attendance Management Cloud helps customers enhance efficiency of human resources management and improve employee experience through optimized attendance management process. It is designed for organizations to collect, process, track and distribute time data to manage time and labor for their workforce, eliminating manual processes and streamlining time-consuming tasks. Through Attendance Management Cloud, customers can apply customized rules, use batch editing and deploy timecard management tools to manage complex time, attendance and scheduling needs. Attendance Management Cloud enables employees to clock in and out, manage shift scheduling, submit time-off requests and claim over-time through multiple mobile devices, which helps customers achieve staffing efficiency while offering better user experience to employees. Employees’ attendance performance data collected by Attendance Management Cloud also provides insights for organizations to better understand and plan their scheduling needs.

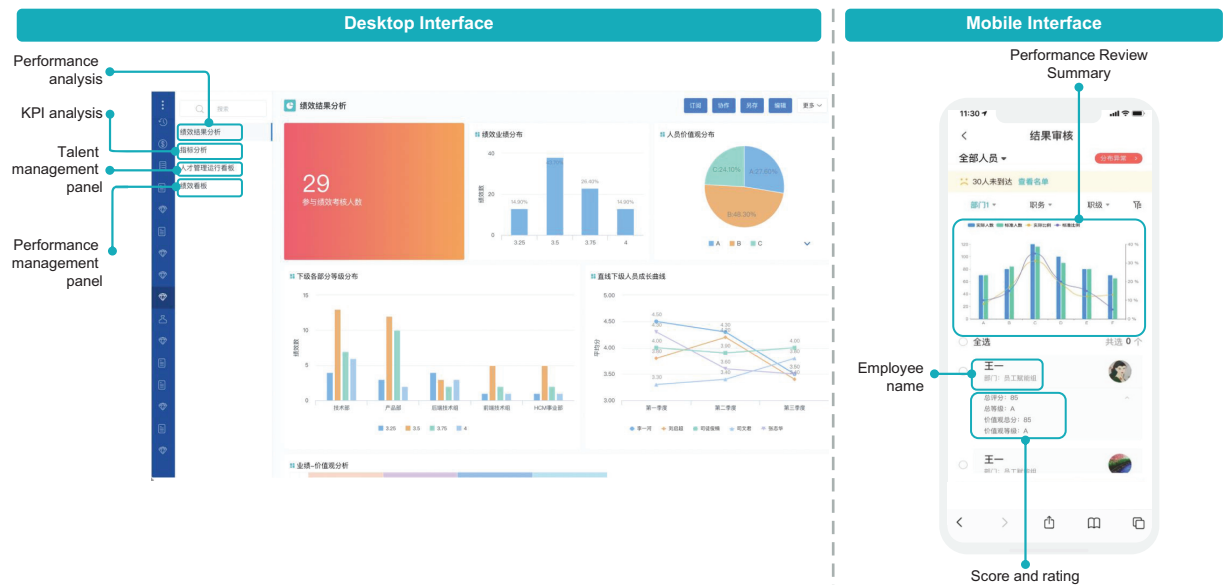
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The following screenshots illustrate the interfaces and key functions of our Core HCM Solutions.



Performance Management Cloud. Performance Management Cloud allows customers to align employee goals to and continually track progress against high-level strategies of the organization. Performance Management Cloud supports the process of creating, monitoring and assessing employee goals across the organization. Performance Management Cloud is effectively integrated with our other applications, enabling organizations to expedite onboarding of newly-hired employees with clearly articulated goals, evaluate individual performance against pre-determined goals, and design competency-development programs based on skills needed to achieve key goal. Through configurable and customized performance review systems, Performance Management Cloud also enables customers to gain insight into the performance, skills and development needs of their workforce.

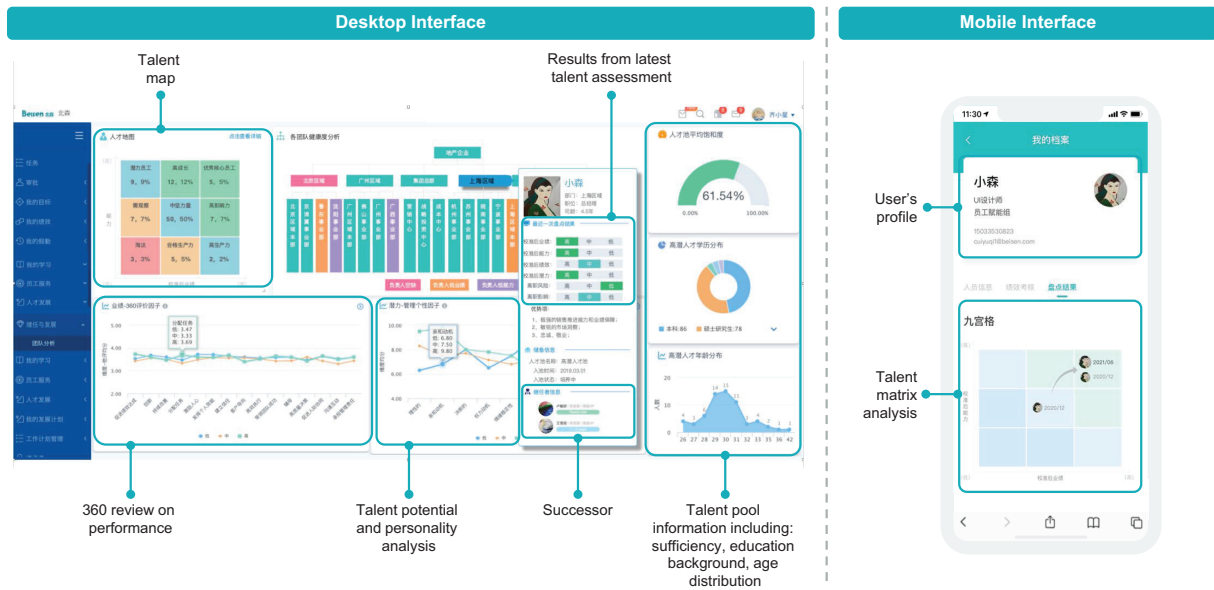
The following screenshots illustrate the interfaces and key functions of our Performance Management Cloud.



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Succession Cloud. Succession Cloud provides real-time visibility into customers’ talent pipeline and potential successors within their existing workforce from senior executives to individual contributors. It allows customers to assess key talents from perspectives such as competency assessment, performance results, potential forecast and departure forecast as part of the succession planning process, plan for staffing changes by identifying career paths for key contributors throughout the organization, and provides current profiles and readiness rankings for key talents.

The following screenshots illustrate the interfaces and key functions of our Succession Cloud.



E-learning Cloud. Our E-learning Cloud is an online learning and training management platform designed for enterprise customers, supporting key use cases such as online courses, learning plans, online exams and training management. Employees are able to access our learning platform via mobile devices, which allows them to learn anytime, anywhere. This helps employees find balance between their work commitments and learning needs, fulfilling a gap that has long been unmet by traditional on-the-job training approaches. Our E-learning Cloud expands the coverage and timeliness of corporate training, reducing customers’ offline training expenses.

People Analytics Solutions. Built upon the effective integration and information exchange across our different HCM solutions, our People Analytics Solutions allow organizations to break information silos and convert unstructured data into actionable insights. Through People Analytics Solutions, customers gain access to our one-stop data analytics platform, where business managers can obtain significant insights through massive visualized and customized reports and diagrams to inform their business decisions. With a combination of our expertise and know-how in the space of human capital management, and the best practices in diverse industries we accumulated through years of services, People Analytics Solutions provide customers with a variety of off-the-shelf indicators, allowing them to analyze their human resources data in diverse industries and business scenarios, and inform their business decisions to continue optimizing human resources management.

With our comprehensive product portfolio, we serve a vast number of customers that span numerous large-scale and fast-growing industries. As of September 30, 2022, a vast majority of the top 10 players in technology, real estate, financial services, and automotive and manufacturing sectors are

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our customers. Our HCM solutions are able to cater to the common HCM needs shared by customers across different industries, while addressing the pain points of customers in a particular industry segment. For example, as manufacturing companies struggle with scheduling shifts for a large number of workers, we develop tailor-made functions to allow manufacturing customers to schedule shifts by employee group, batch and other predefined models, or on a revolving basis, thereby making workforce management easier for managers of manufacturing customers. We also maximized the product functionality of our Attendance Management Cloud on mobile devices, to enable managers and workers of our manufacturing customers, who typically do not own or have access to their personal computers while working, to conveniently manage their time and scheduling. Through our powerful products and solutions, we are committed to facilitating long-term success of our customers across industries. For additional information, see “—Our Customers—Customer Case Studies.”

Pricing and Fee Model

We offer our cloud-based HCM solutions to customers pursuant to subscription agreements, typically with a term of one year with renewal options. From time to time, we also enter into long-term subscription agreements with a term of three years with a small number of customers operating in a variety of industries with different business scales in order to cater to their specific business needs. We entered into 136, 195, 174, 209 and 97 such long-term subscription agreements for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively. We charge our customers subscription fees for (i) unlimited access to, or (ii) limited number of usage of, our cloud-based HCM solutions over the contract term.

Under the unlimited access subscription model, customers are provided with unlimited access to one or multiple of our cloud-based HCM solutions over the contract term.

Under the “limited usage” model, customers first purchase Sendou (森豆) from us, and then acquire access to our cloud-based HCM solutions by consuming a certain amount of Sendou, which amount may vary depending on the specific solution the customers subscribe for. We offer Sendou to customers on an on-demand basis mainly as a way to cater to their specific needs and preferences for convenience, flexibility and cost-efficiency. For example, many customers have HCM needs that are “event-based,” meaning that they only need access to HCM solutions for a limited number of times, and/or within a relatively short timeframe, based on specific events, such as during the recruitment and/or evaluation peaks. Customers are typically allowed to consume Sendou they purchased within one year of the date of the relevant subscription agreements. Sendou that remain unused when the subscription period expires will be forfeited. During the Track Record Period, revenues generated from such unused and forfeited Sendou accounted for an immaterial portion of our total revenues. Sendou is currently only available to customers using our Assessment Cloud, primarily because the Assessment Cloud is significantly more frequently used for “HCM events,” such as campus recruitments, than the other solutions. Additionally, as compared to our other solutions, the Assessment Cloud offers a wider array of modules that can each be accessed by the customers using Sendou. The use of Sendou gives customers flexibility to pick and choose such modules depending on their specific needs, without the need to pay for the full subscription packages. We will continue to offer Sendou to customers using the Assessment Cloud, and we currently do not have any imminent plan to expand the use of Sendou to our other solutions.

Under either of these two subscription models, subscription fees for our solutions are charged based on the size of their workforce and the specific solution the customer subscribes for. Specifically,

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we generally determine the unit price for a particular HCM solution by taking account of factors including market condition, targeted customers’ willingness to pay, competitors’ pricing strategies, and our growth strategies at any specific stage of development. We price our different HCM solutions at varied unit prices, depending on the time and cost we have devoted in developing a particular solution, major use cases of the solution and our sales and marketing strategies for the solution, among other factors. We permit managers of our regional sales teams to offer more favorable pricing terms within a reasonable range to valuable customers of strategic significance, such as market leaders that may drive subscriptions to our solutions within an industry vertical, to build long-standing relationships and create up-selling and cross-selling opportunities. Customers typically are invoiced on signing and shall pay upfront before we deliver our HCM solutions. For details of our revenue recognition under these two subscription models, see “Financial Information—Critical Accounting Policies and Estimates—Revenue Recognition—(a) Cloud-based HCM Solutions.”

Our customers may choose to subscribe for our HCM solutions either on a standalone basis or integrated as a single solution. Very often, customers prefer to subscribe for our solutions bundled with our implementation and/or value-added services, therefore the contract price may also include fees that we charge for such professional services. For details of the pricing policies of our professional services, see “—Professional Services.”

Professional Services

We provide customers with a selection of paid professional services, primarily including implementation services that are necessary to get the solutions up and running, and value-added services to offer bespoke customer experience. Historically, we also provided certain human resources consulting services and training services through Ruizheng HR Management and Beisen Shengya, respectively. As part of our business reorganization plan to streamline our business, we disposed of Ruizheng HR Management in July 2020 and Beisen Shengya in September 2021. For details, see “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries.”

We believe that our relentless focus on customer satisfaction and long-term success has significantly contributed to our vast and loyal customer base, and business growth in general. We continue to monitor customer satisfaction and success throughout the entire customer lifecycle, including during the transition from sales to implementation, and based on interactions with our customer-facing teams.

For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we generated revenues of approximately RMB173.3 million, RMB199.1 million, RMB207.3 million, RMB216.2 million and RMB97.5 million from our professional services, respectively, accounting for 45.3%, 43.4%, 37.3%, 31.8% and 27.8%, respectively, of our total revenues during the relevant periods.

Implementation Services

We offer implementation services to new subscriptions to maximize the value propositions of our HCM solutions. Through our implementation services, we assist customers with configuration and testing of our solutions, ensuring effective integration with and smooth ongoing operation on customers’ existing systems. We have an experienced team consisting of nearly 300 technical specialists dedicated to providing implementation services. Subject to customers’ specific needs, we

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provide our implementation services either on-site at customers’ offices, or remotely from our service centers. Unlike traditional on premise software which requires significant labor and time to complete installation and configuration on customers’ locally deployed servers and each individual computer, our unified PaaS architecture has allowed us to deploy our HCM solutions over the cloud in a timely and cost-effective manner. Depending on the number and type of HCM solutions our customers select, our products can be configured within a period ranging from five days to four months.

Value-added Services

We offer a variety of value-added services, such as workforce optimization advisory services, customized product development services and PaaS-related services, catering to customers’ specific HCM needs.

Workforce optimization advisory services. Leveraging our extensive expertise and know-how in people science, our workforce optimization advisory services are designed to help customers better understand the data insights generated by our solutions, put such data insights into action, and optimize their workforce. With our workforce optimization advisory services, enterprises can generate a range of workforce data insights depending on their specific HCM objectives. We will then assist the customers in reviewing and evaluating the data insights and taking appropriate actions accordingly. For example, a company looking to develop its managers’ leadership skills can conduct a thorough assessment to measure how they are performing in term of multiple metrics, such as their level of engagement with their teams, ability to develop team objectives, and percentage of high-potential managers. If the data shows the managers are less engaged with their teams that expected, we will suggest the customers direct leadership development interventions specifically toward increasing employee engagement, provide managers with training on how to coach, develop, and provide feedback to their teams, and revisit and enhance the customers’ manager recruitment standards. We also offer assessment report interpretation workshops, helping customers’ employees understand their strengths weaknesses and improve their performance.

Customized product development services. Many enterprises, especially those of medium to large scale, have a strong needs for HCM solutions customized for their unique business need and processes. To address this need, we have dedicated a team to offering one-off customized product development services via our PaaS infrastructure to help customers develop features and functionalities that cater to their specific business use cases. Our research and development team strategically prioritizes its product development efforts on common demands from our customers, which are addressed mainly through our scheduled product iterations. With respect to more personalized requests, we charge service fees for our customized product development services. For additional information on our product development, see “—Research and Development.”

PaaS-related services. We encourage in-house IT specialists from selected large-size customers of our cloud-based HCM solutions to use our PaaS infrastructure to develop tailor-made applications and functions for their specific business scenarios. This allows customers to more swiftly respond to their internal HCM needs while helping us reduce costs associated with customized product development. While customers can use our PaaS-related services where their in-house IT specialists develop tailor-made applications with no or very limited intervention by our developers, they also have the option to pay for our customized product development services where our developers do the customization for them based on their specific requirements and preferences. Since developing software requires highly professional software development teams and expertise, it is typically those

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large enterprises with strong software development capabilities and experience that choose to use our PaaS-related services.

Since our PaaS-related services are at its early stage of development, and the idea of developing customized applications on the PaaS infrastructure of a third party is new to many enterprises, we decided to offer such services free of charge currently as a way to attract more customers in order to rapidly scale up our PaaS-related services and accumulate know-how and expertise before we roll out such services to a broader base of customers. As a result, no revenue had been generated from our PaaS-related services as of the Latest Practicable Date. We do not have any imminent plan at the current stage on charging our customers for the use of our PaaS infrastructure. However, we may decide to monetize our PaaS-related services in the future, subject to a number of factors such as customers’ demand for independent application development, market acceptance of this monetization model, and PaaS-related technological advancement. For more information about our future plans to upgrade and monetize our PaaS infrastructure, see “Future Plans and Use of [REDACTED].”

We have stringent internal rules and procedures in place to safeguard the security and reliability of our PaaS infrastructure, especially given that it can be accessed by external parties. These rules and procedures include:

- Requiring the IT specialists of our customers to complete training and pass comprehensive evaluations before allowing them to access our PaaS infrastructure;
- Implementing a robust internal authentication and authorization system to ensure confidential and important data within the PaaS infrastructure can only be accessed for limited authorized use and only our authorized staff and authorized IT specialists of our customers can access data that is relevant to and necessary for carrying out their responsibilities;
- Integrating within the development tools available on our PaaS infrastructure sophisticated security solutions that continually scan the codes developed using PaaS infrastructure in order to identify and automatically remediate vulnerabilities;
- In cases where the IT specialists of our customers access our PaaS infrastructure via application programming interfaces, or APIs, imposing, when needed, limits on the number of requests handled by each API, to prevent malicious or unauthorized requests and ensure the stability and reliability of the PaaS infrastructure;
- Implementing strict data and service isolation to ensure that any one customer using the PaaS-related services can only access their own data and cannot access the data of our own or any other customers; and
- Incorporating encryption technologies within the PaaS infrastructure to limit access to sensitive data and minimize the risk of leakage and unauthorized use of data.

Our customers’ interactions with our PaaS infrastructure are also subject to our other internal rules and systems regarding data security and protection. See “—Data Privacy and Security.”

Pricing and Fee Model

Except for PaaS-related services that we offer to our customers free of charge currently, we typically charge our customers service fees based on a number of factors, including the type of services selected by our customers, the number of our technical specialists staffed on a given project, and the

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duration of our services. With respect to implementation services, CIC has advised that it is consistent with the industry norm to charge implementation services separately from cloud-based HCM solutions based on its interviews with key industry experts with extensive industry experience, as well as the public disclosures and information of other industry peers. Purchases of professional services by customers are made under the subscription agreements pursuant to which they subscribe for our cloud-based HCM solutions. Under the subscription agreements, professional services are typically charged a price separate from those of cloud-based HCM solutions. Customers typically are invoiced upon signing of the subscription agreement and shall pay upfront before we provide our professional services.

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SaaS products like our cloud-based HCM solutions typically require substantial initial investment in customer acquisition and retention and product development to drive market acceptance. This is because SaaS business operates a subscription revenue model that generates a stable revenue inflow once the business reaches a scale. To achieve scale, SaaS service providers first need to invest heavily in developing a SaaS product that offers compelling scalability benefits to potential customers and continue to optimize the functionality as it rolls out the product to a broader range of customers. In the meantime, they also need to devote substantial resources upfront to sales and marketing to amass a vast and loyal customer base from which they can continue to generate recurring subscription revenues during customers’ life time. Nearly 80% of our customers who contributed to our ARR as of September 30, 2022 have an expected customer lifetime of approximately 5 years. Such upfront investments to grow a subscription business often exceeds the profits from the recurring revenue stream in the initial period, resulting in a loss making position. As the deployment of the product continues to scale up, it generally leads to higher profit margin mainly due to the recurring subscription revenues without substantial incremental costs, and greater economies of scale and synergies in customer acquisition and retention and product development. For these reasons, the breakeven period for SaaS service providers, including those focusing their services on the HCM vertical market, is usually long, and it is common for cloud-based HCM solution companies around the world, including in the United States and China, to remain loss-making for over 15 years before becoming profitable, according to CIC. According to the same source, China’s cloud-based HCM solutions market is still at an early stage of development, and most players including us have not made a profit yet.

For the past almost two decades, China’s HCM market has undergone several major transformations, switching from traditional, paper-based HCM processes to digital HCM solutions represented by on-premise software, further to smarter and more efficient cloud-based HCM solutions, and to the more recent emergence of integrated, all-in-one HCM solutions. Accordingly, we have constantly evolved our business throughout our history to stay ahead of industry trends at different stages of development. For details of these major historical industry transformations and our evolving business initiatives at each stage of development, see “Industry Overview – HCM Market in China – Major Industry Transformations.” In particular, while we have been in operation for years, it was not until 2010 that we began to focus on developing and offering cloud-based HCM solutions, our current business focus. In addition, our Core HCM Solutions, one of our key modules, was only launched in 2015, and it usually takes two to four years for a brand new module to achieve initial market acceptance with scalable revenue streams, according to CIC based on its interviews with industry veterans from leading cloud-based HCM solutions providers, and research and analysis public information about our peers in China and globally. Therefore, despite our inception in 2005, we have a

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relatively limited history operating our current business, and as a result, our historical profitability may not be indicative of our future performance.

More importantly, along all these industry transformations, we have clearly differentiated ourselves from our peers by consistently staying at the forefront of each transformation, proactively leveraging leading business models and technologies to deliver better products and build long-term customer relationships. These efforts have required us to constantly make substantial investments in product development and innovations, because each new stage of development, as it emerges, is driven by and requires significant investments in new and more advanced technologies, with limited industry standards or best practices for us, as an industry forerunner, to follow. For example, we have since 2015 devoted substantial financial and R&D resources to building a unified and open PaaS infrastructure to strengthen the foundation for our integrated, all-in-one HCM solution, which enables cross-module data integration, improves development efficiency and meets customers’ ever-changing needs. A vast majority of our research and development expenses incurred in connection with these investments were labor costs in nature, which related to a growing number of our research and development staff dedicated to different R&D projects. For details of our investments and efforts in product development and innovations throughout each stage of industry development, see “Industry Overview – HCM Market in China – Major Industry Transformations.” While these investments typically would not translate into immediate financial returns and have in part contributed to our historical loss-making positions, we believe that they are indispensable to achieving our current scale and market leadership, as well as long-term path to profitability. Moreover, we believe our growth strategy and prospects have also been well received by the market, as evidenced by the fact that we have successfully completed multiple rounds of [REDACTED] financing, including from leading sophisticated investors, since 2010 to date.

By implementing this strategy, we have achieved significant growth during the Track Record Period, paving the way for our long-term sustainable market leadership. We generated total bookings of RMB437.4 million, RMB570.0 million, RMB729.3 million, RMB887.7 million and RMB907.9 million for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively. Our total revenues increased by 19.9% from RMB382.3 million in the fiscal year ended March 31, 2019 to RMB458.5 million in the fiscal year ended March 31, 2020, and by 21.3% to RMB556.3 million in the fiscal year ended March 31, 2021, and further by 22.2% to RMB679.6 million in the fiscal year ended March 31, 2022, and increased by 12.1% from RMB312.8 million for the six months ended September 30, 2021 to RMB350.8 million for the six months ended September 30, 2022.

Primarily attributable to our historical investment in customer acquisition, customer engagement and product development and innovations for the above-mentioned reasons, we incurred adjusted net loss (non-IFRS measure), net operating cash outflows and net current liabilities during the Track Record Period. We expect that we may still record net loss and adjusted net loss (non-IFRS measure) in the near future, primarily due to the following reasons: (i) spending on selling and marketing to acquire customers and strengthen our brand awareness; (ii) investments in research and development to further enhance our HCM solutions and infrastructures; and (iii) employee related expenses due to rising personnel to support our business expansion, and the increased compensation levels including share-based compensation we provide to a select number of talents to incentivize them. Fair value changes of our redeemable convertible preferred shares are also expected to contribute to the substantial increase in our loss for the period till the completion of the [REDACTED]. However, we do not expect to record any further fair value changes of convertible redeemable preferred shares upon the completion of the [REDACTED]. In addition, we recorded accumulated

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losses of RMB1,100.2 million, RMB2,367.4 million, RMB3,307.6 million, RMB5,216.3 million and RMB5,379.1 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. Our accumulated losses as of these dates during the Track Record Period were attributable primarily to our losses incurred in the past. We also recorded net liabilities throughout the Track Record Period, attributable primarily to the warrants and/or redeemable convertible preferred shares issued in connection with our [REDACTED] Investments. Upon completion of the [REDACTED], our redeemable convertible preferred shares will be redesignated from financial liabilities to equity such that our current net liabilities position would turn into a net assets position.

As we continue to ramp up our business presence and enhance our brand awareness and economies of scale, we expect to attract new and retain existing customers and increase customer lifetime value more cost-effectively, thereby driving sustainable profitability. Additionally, we have continued to expand and optimize our offerings and invest in cutting-edge technologies to make our HCM solutions more integrated, easy-to-use and affordable. We expect these efforts to effectively broaden our revenue sources and expand our customer base, paving way for our long-term profitability. The expansion of our offerings also enables us to achieve economies of scale and synergies through the sharing of technology and operational capabilities as well as cross selling opportunities across different offerings.

Acquiring new customers requiring significant upfront investment in sales and marketing, while revenues generated from subscriptions to our cloud-based HCM solutions are recognized over the term of the subscription agreement. As a result, as our business ramps up and our customer base continues to expand rapidly, we have recognized significant upfront costs that are disproportionate to the revenues that we record in the earlier contract terms. On the other hand, as subscriptions to our cloud-based HCM solutions are typically invoiced on signing and settled upfront by our customers on an annual basis, the growth of our business is expected to have a positive impact on our operating cash flow.

Going forward, we plan to achieve long-term profitability primarily by further (i) expanding our customer base, (ii) expanding customers’ usage of our solutions, and (iii) managing costs and improving operational efficiency.

Expand Our Customer Base

We successfully grew our total number of customers during the Track Record Period. As of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, we served approximately 3,300, 3,800, 4,200, 4,700 and 4,900 customers, respectively. We intend to continue to enlarge our customer base to drive continued revenue growth and achieve long-term profitability. More specifically:

- **Grow with the market.** According to CIC, the penetration rate of cloud-based HCM solutions in China’s HCM market, calculated by dividing the size of the cloud-based HCM solutions market by that of the total HCM market, was only 0.8% in 2021, as compared to 6.9% in the United States, which represents tremendous growth potential. According to CIC, the market for cloud-based HCM solutions in China is expected to grow at a CAGR of 32.9% from 2021 to 2027. As of September 30, 2022, our total number of customers was over 4,900, which only represented a small percentage of over 320,000 China’s medium- and large-sized companies. As the market leader with established brand reputation, we believe we are well positioned to capture the attractive market opportunities, as exemplified by the continued expansion of our customer base over time.

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- ***Enhance sales and marketing capabilities.*** To achieve this goal, we will continue to recruit more experienced and skilled sales personnel, enhance the expertise of our sales force, build our brand reputation and improve marketing efficiency. By implementing these initiatives, we expect to incur additional sales and marketing expenses due to increased salesforce and expanded sales and marketing activities. However, we expect these initiatives to enable us to expand our customer base with greater cross-selling and up-selling opportunities which, in turn, benefits our revenue and profitability in the long run.
- We plan to expand our sales force nationwide. Our investments will include offering competitive compensation and regular on-the-job training to our sales personnel, establishing local subsidiaries and branches offices, and building relationships with customers and business partners in the local markets, among other things. We intend to further penetrate in Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou, which we refer to as “top-tier cities,” in which we have already built a strong track record. We intend to further expand our presence in these cities. We also plan to expand our sales teams in other cities across China, such as Suzhou, Nanjing, Wuhan, Chengdu and Chongqing, where we believe there is significant unmet demand for integrated cloud-based HCM solutions. As compared to the rest of the country, these cities generally have more medium-to-large sized enterprises who have stronger demand and willingness to pay for quality cloud-based HCM solutions. We plan to establish local offices in Zhengzhou and Hefei in the fiscal year ended March 31, 2024, as well as local offices in Xi’an, Shenyang and Shijiazhuang by end of the fiscal year ended March 31, 2026. We believe implementing a marketing strategy with a focus on these non-top-tier cities allows us to expand and build customer relationships more cost-effectively. For further details, see “—Our Strategies— Customer Oriented: Expanding to a more diversified customer base while creating more value for customers in the long-term.”
- In addition, we have designed effective compensation and incentive plans, set up standard performance evaluation system and provide regular on-the-job training to our sales personnel to continue to improve their sales efficiency. We also expect to spend approximately [REDACTED]% or approximately HK\$[REDACTED] of the [REDACTED] from this [REDACTED] on expanding and diversifying our sales and marketing channels, including actively organize and participate in various industry events, such as industry forums, seminars, conferences and solution showcases, to strengthen our relationships with existing customers and build relationships with potential customers and expand our influences through word-of-mouth referrals. For details, see “Future Plans and Use of [REDACTED].”
- ***Expand to more industry verticals and geographies.*** During the Track Record Period, we tapped into ten new industry verticals, namely Internet, manufacturing, real estate, consumer goods, banking and insurance, resources, commercial services, logistics as well as travel and lifestyle. We will leverage our extensive industry experience to cover leading players in more industry verticals and further enhance our presence in existing industry verticals including manufacturing, retail and technology. With a unified PaaS infrastructure, as we expand to additional industry verticals, we are able to acquire new customers and increase revenue at relatively low incremental R&D and implementation costs. Built upon a single infrastructure, our solutions share the same set of basic standardized functionalities. As a result, when we expand into a new

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vertical, we typically do not have to incur significant R&D expenses to build new solutions from scratch, but can only focus on crafting more sophisticated and industry-specific features and functionalities. The standardized nature of our solutions also makes it easier for us to implement solutions for customers in new industry verticals as we are able to recycle the experience and know-how accumulated from serving existing customers.

- We have been implementing a variety of initiatives to expand to more industry verticals. More specifically, as part of efforts to enhance the functionality and features of our Core HCM Solutions, we expect to spend approximately [REDACTED]% of the net [REDACTED] from the [REDACTED] (HK\$[REDACTED]) in developing more industry-specific solutions, features and use cases in order to attract customers from a broader range of industries. For example, as we have come to realize that many manufacturing companies face challenges with scheduling shifts for a large number of employees, we have recently launched tailor-made functions to allow manufacturing customers to schedule shifts by employee group, batch and other predefined models, or on a revolving basis. We also expect to spend approximately [REDACTED]% of the [REDACTED] from the [REDACTED] (HK\$[REDACTED]) in upgrading our solutions to better address the needs of large-sized enterprises operating that have less than 10,000 employees, especially those in the internet, manufacturing and chain retail industries. These enterprises have extensive people management needs, often associated with their complex organization structures and large, geographically dispersed workforces, that have hardly been met by traditional HCM approaches, suggesting significant opportunities for our integrated cloud-based solutions.

As the costs associated with product development are generally incurred upfront, we expect our expanded customer base will lead to increasing marginal revenues, which in turn helps to improve our overall profitability.

Expand Customers’ Usage of Our Solutions

We derive our revenues primarily from subscription fees that give customers access to our cloud-based HCM solutions. The subscription model generating recurring revenues allows us to facilitate and at the same time benefit from our customers’ success and long-term growth while gaining visibility into our future operating results. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and six months ended September 30, 2022, revenues generated from subscriptions to our cloud-based HCM solutions amounted to RMB209.0 million, RMB259.4 million, RMB349.1 million, RMB463.5 million and RMB253.3 million, respectively, representing 54.7%, 56.6%, 62.7%, 68.2% and 72.2% of our total revenues during the relevant periods.

Going forward, we seek to continue driving customers’ lifetime value by expanding and optimizing our offering portfolio and serving our customers with consistently high standards. More specifically:

- **Upsell and cross-sell.** Our unique integrated approach creates significant upselling and cross-selling opportunities. The ARR per customer, a metric used to measure the annualized value of the revenue per customer from the subscription of our cloud-based HCM solutions, had increased by 7.3% from RMB78,655 as of March 31, 2019 to RMB84,410 as of March 31, 2020, and by 22.8% to RMB103,675 as of March 31, 2021. The ARR per customer had continuously increased by 17.4% to RMB121,716 as of

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March 31, 2022 and further increased by 2.5% to RMB124,697 as of September 30, 2022. In addition, ARR for customers who subscribe for more than one cloud-based HCM solution as a percentage of total ARR had increased from 51.8% as of March 31, 2019 to 60.9% as of March 31, 2021. The figure had continuously increased to 66.6% as of March 31, 2022 and further to 68.6% as of September 30, 2022. This has demonstrated the increased use of our cloud-based HCM solutions by our customers over time. As of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, more than 22.8%, 24.1%, 31.2%, 36.1% and 38.7% of our customers, respectively, subscribed for more than one cloud-based HCM solutions, and on average each customer subscribed for 1.3, 1.3, 1.5, 1.6 and 1.7 solutions, which indicates a huge potential for us to expand the use of our solutions by existing customers. As of December 31, 2022, the percentage of customers who subscribe for more than one cloud-based HCM solution further reached 39.1%, and the average subscription per customer remained stable at 1.7 solutions. We also believe that our various initiatives to strengthen our sales and marketing efforts will enable us to expand our customers’ use of our solutions, which is expected to continue to generate more cross-selling and up-selling opportunities. See “Expand Our Customer Base—Expand to more industry verticals and geographies” above.

- ***Expand and upgrade our integrated cloud-based HCM solutions.*** We intend to further integrate the use cases covered by our cloud-based HCM solutions. This will enable customers to better and more efficiently integrate, synthesize and analyze their own employees’ data to generate actionable HCM insights throughout the employee lifecycle. We are implementing a wide array of initiatives designed to expand and upgrade our integrated cloud-based HCM solutions, including:
 - *Integrate more seamlessly our cloud-based HCM solutions.* We intend to further make our suite of cloud-based HCM solutions more seamlessly integrated. To facilitate our integration endeavors, we intend to expand our dedicated team of product managers, software managers and testing managers.
 - *Integrate more seamlessly our cloud-based HCM solutions.* We will be focusing on the three main areas of integration:
 - *Use case integration.* We will further integrate the use cases covered by our cloud-based HCM solutions. We will focus on integrating solutions designed for employees and HR managers, and the solutions for other different roles within organizations. We intend to leverage data-enabled business intelligence and AI technologies to facilitate integration and information sharing across our different solutions;
 - *Talent data & profile integration.* We will focus on enhancing our solutions so that our customers can better and more efficiently integrate, synthesize and analyze data collected from various stages of the employee lifecycle to generate actionable HCM insights;
 - *User interface (UI) integration.* We will offer a more unified interface and visualization system across our full suite of solutions. The unified interface will include single sign-on, consistent navigation structures and unified menus to access data and processes.
- ***Enhance the functionality and features of our Core HCM Solutions.*** We intend to continue to enhance the functionality and features of our Core HCM Solutions in order to better meet our customers’ need. We believe that this will help us build strong word-of-mouth momentum which in turn allows us to cost-effectively attract prospective customers from a

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broad range of industries, driving our long-term profitability. Our efforts in enhancing the functionality and features of our Core HCM Solutions will be focused on developing more industry-specific solutions, features and use cases in order to attract customers from a broader range of industries and upgrading our solutions to better address the needs of large-sized enterprises. See “Expand Our Customer Base—Expand to more industry verticals and geographies” above for more details.

- Upgrade our other HCM solutions.* We also intend to solidify our leadership position across a number of other HCM solutions, such as Recruitment Cloud and Assessment Cloud, and upgrade these solutions with additional features and functionality. We believe these efforts enable customers to more effectively manage their workforces and execute talent strategies, driving their stickiness and loyalty that in turn benefits our long-term profitability. With respect to Recruitment Cloud, we intend to continue to leverage data-enabled business intelligence and AI technologies to launch more digital tools to make the hiring process more efficient and transparent for both organizations and the prospective employees. These new tools will include an AI-powered resume analyzer that automatically screens and scores resumes based on criteria set by the recruiters and intelligent candidate matching and ranking to help organizations identify candidates that best match their job requirements. With respect to E-learning Cloud, we intend to integrate it more deeply with our other solutions, such as Succession Cloud and People Analytics Solutions, to give organizations a better picture of their workforce performances across the entire employee lifecycle.
- In connection with our plan to upgrade our integrated cloud-based HCM solutions, we are implementing and intend to implement a number of key projects. The following table sets forth details of these projects. See “Future Plans and Use of [REDACTED]” for more information about how we plan to use the [REDACTED] from [REDACTED] to fund these projects:

Project	Description	Implementation Timeline	Expected Costs To Be Incurred Prior to Implementation
Development and implementation of HCM solutions designed for manufacturing enterprises	These solutions will be purpose-built to address people management needs of large manufacturing enterprises, particularly associated with their complex organization structures and large, geographically dispersed workforces	By end of the fiscal year ended March 31, 2024	FY2024: Approximately RMB13.5 million
Development of “Real-time Survey”	“Real-time Survey” is a solution that helps enterprises more effectively conduct internal surveys and identify potential employee-relations issues and makes recommendations	By end of the fiscal year ended March 31, 2024	FY2024: Approximately RMB0.9 million

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Project	Description	Implementation Timeline	Expected Costs To Be Incurred Prior to Implementation
Development of “Skill Cloud”	Skill Cloud is a solution that utilizes AI technologies to help enterprises develop a systematic review of the skillsets needed for particular positions	By end of the fiscal year ended March 31, 2024	FY2024: Approximately RMB0.9 million
Development of gamified assessment tools	These tools are designed to help enterprises more effectively engage employees and conduct assessments through the usage of interactive gaming elements	By end of the fiscal year ended March 31, 2024	FY2024: Approximately RMB0.9 million
Development and implementation of HCM solutions designed retail enterprises	These solutions will be purposebuilt to address HCM needs of retail companies, such as those relating to their relatively more flexibility schedules and diverse payroll patterns	By end of the fiscal year ended March 31, 2024	FY2024: Approximately RMB9.0 million
Development and implementation of “talent profiles”	“Talent profiles” are solutions designed to integrate information about the skills, qualifications, accomplishments, and career preferences of enterprises’ workforces to enable them to more effectively identify, select, assess and develop talents	By end of the fiscal year ended March 31, 2026	FY2024: Approximately RMB0.7 million FY2025: Approximately RMB5.1 million FY2026: Approximately RMB3.6 million

- Focus on customer success and satisfaction.*** Our unwavering focus on customer success and satisfaction has enabled us to build long-term relationships with customers. In recent years, we have achieved steadily growing subscription revenue retention rate, a metric used to measure growth in revenue generated from existing customers of our cloud-based HCM solutions over time. Our subscription revenue retention rate increased from 102% for the fiscal year ended March 31, 2019 to 105% for the fiscal year ended March 31, 2020 and 113% for the fiscal year ended March 31, 2021, and further to 117% for the fiscal year ended March 31, 2022. Going forward, we intend to continuously invest in building a highly qualified customer success and services team by hiring, motivating and retaining talents with strong academic credentials and relevant work experience. As of September 30, 2022, approximately 86% of our customer success and services team members have a bachelor’s degree or above, and approximately 26% of them have a master’s degree or above. In addition, they have an average of over 5 years of relevant work experience. We

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will also formulate and implement our firm-wide customer service policy and standards, including a tiered customer services model through which we provide customized services and support to customers.

- We intend to implement a number of initiatives to enhance our customer success and services capabilities. For example, we intend to implement a “Core” Customer Success Program to support the rapidly increasing adoption of our Core HCM solutions by customers. As part of this program, we intend to build a team of seasoned product managers to lead the implementation of our Core HCM solutions in top-tier cities and maintain a sizable customer service consultant team to serve our customers remotely from our customer care center in Suzhou. We also plan to establish a new Share Service Center (SSC) located in a lower-tier city to support growth in customer base. The use of an SSC will help us reduce service duplication and business unit silos within our organization by integrating service functions into a single department. We believe that these initiatives will enable us to increase customer satisfaction, thereby increasing our subscription revenue retention rate in the long run.

The Joint Sponsors have (i) discussed and conducted due diligence with us to understand, amongst other things, that subscription revenue retention rate is a metric commonly used by our industry peers and our view that the use of subscription revenue retention rate to measure the growth in revenue generated from existing customers of our cloud-based HCM solutions over time is not misleading or inappropriate, and our calculation methodology is consistent with the industry norm; (ii) discussed with CIC to understand that subscription revenue retention rate is commonly adopted in our industry to measure business performance, and that our calculation methodology relating to subscription revenue retention rate is consistent with the industry norm; and (iii) reviewed public disclosures of industry peers and noted that revenue retention rate is also used as a metric to measure their business performance. Based on the due diligence work conducted by the Joint Sponsors as stated above, and having considered the view of CIC, nothing has come to the Joint Sponsors’ attention that would reasonably cause the Joint Sponsors to cast doubt on the reasonableness with the above-mentioned view of the Company in relation to the use and the calculation methodology of subscription revenue retention rate.

Manage Costs and Improve Operational Efficiency

As we continue to grow in scale, we aim to realize operating leverage primarily through the shifting in our revenue mix towards cloud-based HCM solutions, improvement in sales and marketing efficiency, as well as benefits from economics of scale. See “Financial Information—Description of Major Components of Our Results of Operations” for a description of the key components of our cost of revenue and operating expenses.

- **Improve gross margin.** During the Track Record Period, revenues generated from subscriptions to our cloud-based HCM solutions had increased as percentages of our total revenues. Revenues generated from cloud-based HCM solutions as percentages of total revenues increased from 54.7% for the fiscal year ended March 31, 2019 to 56.6% for the fiscal year ended March 31, 2020 and 62.7% for the fiscal year ended March 31, 2021, and further to 68.2% for the fiscal year ended March 31, 2022, and increased from 67.0% for the six months ended September 30, 2021 to 72.2% for the six months ended September 30, 2022. This was primarily due to the increasing market acceptance of our solutions as

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customers have continued to benefit from the strong functionalities and substantial integration benefits that our solutions offer. As our subscription-based HCM solutions involve less incremental costs as compared to professional services, gross margin for our cloud-based HCM solutions is typically higher than that for our professional services. We expect our profitability to continue to improve alongside such change of revenue mix in the long term. In addition, we have leveraged our strong PaaS capabilities to focus on meeting customers’ most common product development needs, which allows us to reduce costs associated with customization for every single customer and will further increase gross profit margin for professional services. We seek to further optimize our costs of professional services by enhancing our PaaS capabilities and opening our PaaS infrastructure to more customers to allow their in-house IT specialists to develop tailor-made applications, features and functions. We expect to invest approximately [REDACTED]% or approximately HK\$[REDACTED] of the [REDACTED] of the [REDACTED] to upgrade our PaaS infrastructure. We will have a dedicated team of product managers, software managers and testing managers focusing on upgrading our PaaS infrastructure and developing a wide suite of standardized development tools.

- ***Improve sales and marketing efficiency.*** During the Track Record Period, sales and marketing expenses, which consist primarily of sales staff costs, formed a significant portion of our total operating expenses. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, our sales and marketing expenses were RMB206.8 million, RMB295.2 million, RMB284.3 million, RMB331.0 million and RMB177.4 million, respectively, representing 54.1%, 64.4%, 51.1%, 48.7% and 50.6% of our revenues during the relevant periods. We seek to continue to improve our sales and marketing efficiency by promoting cross-selling and up-selling across our different HCM solutions and services, capitalizing on our established brand reputation to acquire customers more cost-effectively, as well as improving our technologies used in sales and marketing. For example, we intend to leverage AI-powered algorithms and processes that automatically assign leads to the most suitable sales personnel, in order to maximize conversion of potential leads to subscriptions and enhance customer experience. We also intend to continue to invest in adopting world-leading B2B marketing automation solutions and customer information and interaction management systems and purchase user labeling and profiling tools developed by third parties that help us more effectively engage in content marketing with target customers. We expect to invest approximately [REDACTED]% or approximately HK\$[REDACTED] of the [REDACTED] from this [REDACTED] on the development and optimization of the technologies used in sales and marketing activities.
- ***Improved economies of scale and operational efficiency.*** Other major cost components include research and development expenses and administrative expenses. In 2019, our research and development expenses as percentages of total revenues amounted to 38.3%. In particular, our research and development expenses as percentages of total revenues continued to decrease from 46.9% for the fiscal year ended March 31, 2020, to 38.2% for the fiscal year ended March 31, 2021, and further to 38.0% for the fiscal year ended March 31, 2022. While we expect to continue to incur substantial research and development expenses and general and administrative expenses in the foreseeable future alongside our business growth, we expect that such expenses as a percentage of total revenue will decrease over time in the long term due to improved economies of scale and operational efficiency, which will have a long-term positive impact on our profitability.

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- We are implementing a number of initiatives designed to increase our research and development efficiency. For example, we are in the process of upgrading our DeOps system that is capable of supporting frequent, largescale product upgrades and deployment needs for 10,000 customers. We are also in the process of building “PaaS ISV Development Center,” a digital system that enable selected independent software vendors, or ISVs, to use the diverse development tools we offer to efficiently develop HCM solutions via our PaaS infrastructure. We believe these efforts help to increase our research and development efficiency by giving us the tools necessary to develop and upgrade solutions for a number of customers simultaneously and by allowing customers, especially those large, sophisticated ones, to easily develop software tailored to their own needs and preferences, which is more cost-efficient for us as compared to having our in-house specialists develop customized solutions for them. Having a unified PaaS infrastructure also helps to increase our research and development efficiency as it allows us to generate valuable insights across the entire employment lifecycle - which that are otherwise too difficult or costly to obtained through traditional, isolated on-premise software - to inform our research and development activities.
- We will expand our dedicated team of product managers, software managers and testing managers specialized in data-enabled business intelligence and AI, and provide regular internal and external training to our research and development teams. We expect to invest approximately [REDACTED]% or approximately HK\$[REDACTED] of the [REDACTED] from this [REDACTED] in technologies and system enhancements to enhance our research and development efficiency.

Taking into account (i) the outlook of China’s cloud-based HCM solutions market in which we operate, (ii) our detailed expansion plans aiming for the long-term growth as described above and in the section headed “Future Plans and Use of [REDACTED],” (iii) our proven historical business growth, and (iv) the fact that SaaS products like our cloud-based HCM solutions typically require upfront costs and expenses in relation to customer acquisition and retention and product development to drive market acceptance, and such costs and expenses often exceed the profit generated from recurring revenue stream in the initial period, resulting in a loss-making position, our Directors believe that our Group has a sustainable business.

OUR TECHNOLOGY

Technology is the backbone of our scalable business model. Our strong technology capabilities have allowed us to deliver superior customer experience, improve operational efficiency and enable innovations. To date, our capabilities primarily feature three foundation technologies: PaaS infrastructure, data-enabled business intelligence and artificial intelligence.

PaaS Infrastructure

The bedrock of our solutions and services is our cloud-native, multi-tenant and metadata-based PaaS infrastructure, which allows our offerings to scale and better react to changing demands. According to CIC, we are the only service provider in China that offers cloud-based HCM solutions based on a unified and open PaaS infrastructure. This substantially increases our application development efficiency, supports rapid application expansion, and fulfills customers’ ever-changing personalized business needs.

- **Cloud-Native.** We rely on our self-operated and maintained cloud infrastructure to host our HCM solutions, which helps us secure cloud resources for customers, and ensure

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reliability, data security and integrity of our platform. This self-operated cloud infrastructure enables our public cloud services, allowing multiple customers to access our cloud-based HCM solutions via public internet. Building upon the cutting-edge cloud computing technologies such as microservices, containers and service mesh, our cloud-based PaaS infrastructure allows our HCM solutions to benefit from its cloud-native architecture, resulting in more resilient and scalable solutions for our customers.

- **Multi-Tenant.** Our multi-tenant PaaS infrastructure enables multiple customers to be on the same version of our HCM solutions, while securely partitioning their respective application data. Because a single version of our solutions is developed, supported and deployed across all customers, updates are delivered to all of our customers at the same time, making it easier to scale our solutions and services as the number of our customers and their employees expands. Furthermore, customers utilize our IT resources and operational infrastructure, significantly reducing the costs of implementation, upgrades and support. Because multi-tenancy ensures that all of our customers are on the same version, we can focus on ongoing innovation rather than maintaining multiple versions of our solutions and a broad matrix of supporting infrastructure. Our multi-tenant architecture also enables us to address our customers’ common product development needs with simply one software update, thereby significantly reducing our operational costs for product customization.
- **Metadata-Based.** The metadata-based architecture of our PaaS infrastructure enables rapid and flexible customization of our HCM solutions through no-code or low-code application development capabilities, which significantly reduces customization costs for customers to embrace business changes.

Data-enabled Business Intelligence

We design our data-enabled business intelligence to address the long-standing pain points of data isolation and absence of industry data analysis models and indicators, helping enterprises navigate through digital transformation. Unlike traditional on premise software that results in data fragmentation and isolation, the seamless integration and information sharing across our different solutions on our common, unified PaaS infrastructure generates insights in workforce data under different business scenarios. Building upon such robust data analytics capability, we have established a business intelligence platform that is capable of transforming the fragmented employee data into actionable insights into an organization’s human resources that inform its strategic and tactical business decisions. In addition, by accumulating the best practices of a large number of customers operating in diverse industries, we have established industry-specific people analytics methodologies and data analysis models and indicator library based on our business intelligence capability, which allows customers to benefit from the access to industry-leading digitalization practices. We believe the data insights customers have gained through our business intelligence platform, in turn, motivate them to subscribe for additional solutions of us to address the particular challenges they are faced with, driving upselling and cross-selling across our offerings.

Artificial Intelligence

We provide intelligent solutions for multiple use cases, including instant, smart resume analysis and job matching, AI interviews and service robots designed for job applicants, employees and business managers. In particular, leveraging cutting-edge technologies and algorithms such as natural

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language processing and machine learning, our AI interview function enables customers to efficiently and cost-effectively interview and assess a large number of job candidates. Powered by cutting-edge artificial intelligence technologies, our solutions enable customers to acquire, mobilize and optimize human resources that meet their specific needs, thereby offering bespoke customer experience.

The following screenshot illustrates how we use AI technologies to facilitate customers’ job interviews.



OUR CUSTOMERS

We primarily sell to medium- and large-sized companies that span numerous industries. As of September 30, 2022, we served a vast majority of the top 10 players in technology, real estate, financial services, and automotive and manufacturing sectors, and over 70% of Fortune China 500 companies are our customers. We strategically focus on developing and maintaining business relationships with these medium- and large-sized companies because we believe it is imperative for organizations to intelligize and optimize human resources management as they scale their businesses. We also seek to establish and continue expanding business presence in fast-growing industries and regions with significant business potential.

As of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, we served over 3,300, 3,800, 4,200, 4,700 and 4,900 customers, respectively. We do not have substantial reliance on any single customer. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, revenues generated from our five largest customers in the aggregate accounted for 4%, 4%, 3%, 3% and 3%, respectively, of our total revenues during the same periods.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, none of our five largest customers is a connected person or a supplier of us. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

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Customer Case Studies

The following are examples of how our customers benefit from our solutions and services.

Customer A

Situation: Customer A is a leading restaurant company in China, operating a nationwide network of restaurants under a variety of established brands. As Customer A expanded its restaurant network rapidly across China, it found itself struggling with hiring and retaining a sufficient number of qualified restaurant managers and in-store crews. Traditional manual, labor-intensive recruitment process could no longer meet Customer A’s evolving talent acquisition needs.

Solution: Customer A deployed Recruitment Cloud and Assessment Cloud in March 2016 to improve its talent recruitment capabilities. Our solutions helped restaurant managers develop candidate profiles and leverage our scientific assessments tailored to Customer A to effectively find suitable job candidates with the desired traits. As Customer A’s demands for in-store crews continued to grow, we purpose-built our solutions to help Customer A effectively and efficiently identify talents from a broad external talent pool. Our Recruitment Cloud allowed Customer A to post job openings on multiple recruitment channels at one place, and import job applicants’ resume information that it collects in its email box from different channels into our Recruitment Cloud in a standard, unified format. Through the technology-enabled, smart tools we offer, Customer A was able to intelligize and streamline its entire recruitment and onboarding process, delivering recruiting efficiency and candidate experience especially amid the ongoing COVID-19 pandemic.

Customer B

Situation: Customer B is a China-based multinational enterprise engaged in a broad range of businesses, spanning real estate, finance, health, education, hospitality and media. Despite its established presence and rapid growth, Customer B still relied on its legacy HCM systems to manage its daily operation, making it increasingly difficult to improve employee experience, increase human capital management efficiency, and generate actionable data insights.

Solution: To comprehensively enhance its human capital management capabilities, Customer B deployed a wide array of our HCM solutions, including Core HCM Solutions, Assessment Cloud, Performance Management Cloud and Succession Cloud. Our HCM solutions seamlessly integrate with Customer B’s existing internal systems, offering a one-stop self-service platform where employees can submit questions and feedback, complete routine tasks and communicate and collaborate efficiently. More importantly, through our integrated HCM solutions, Customer B can now consolidate and track its employee’s information across the employee lifecycle, from recruitment to on-boarding, and from payroll administration to performance management, making human capital management easier for its HR and business managers. Through the streamlined business processes and a variety of user-friendly, convenient functions and smart tools that our HCM solutions offer, we have enabled Customer B to improve its HCM efficiency and effectiveness in diverse business scenarios, while ensuring positive employee experience.

Customer C

Situation: Customer C is a cloud-based healthcare service provider with significant expertise in smart wearable technology. As Customer C continued to rapidly expand its footprint globally, its

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outdated, unscalable HR systems could no longer address Customer C’s evolving HCM needs for standardized employee management process, integration of data across internal systems, and HCM capabilities in more use cases.

Solution: Customer C deployed a number of our HCM applications, covering human resources management, payroll and tax administration, employee goals and performance management. By standardizing and optimizing Customer C’s business rules and human resources management practices, our HCM solutions have enabled Customer C to establish a clearly defined organizational structure, streamline internal procedures, and gain valuable workforce analytics. The smart, digital tools incorporated in our HCM solutions have powered Customer C’s headcount administration, recruitment and probation management and employee goal and performance review, all in an efficient and cost-effective manner. For example, our HCM solutions enabled a highly streamlined and automated employee on-boarding and probation process, keeping various stakeholders informed and ensuring the new hires are well taken care of throughout the process. The integration across our HCM solutions and Customer C’s existing internal systems also allows valuable data insights into its human resources management.

Customer D

Situation: As a renowned consumer product brand in China, Customer D has continued to expand its workforce as its business grew. As a result, Customer D had increasing needs for third-party HCM vendors that offer not only high-performance digital solutions but also deep know-how and expertise. Before using Beisen’s solutions, Customer D partnered with a global leading HCM service provider, whose services have proven inadequate in meeting these needs due to its outdated technology architecture and limited functionalities.

Solution: In later 2020, Customer D began using our solutions designed to meet HCM needs across diverse use cases. Our HCM solutions have helped Customer D streamline and optimize its human resources management processes throughout the entire employee lifecycle. To manage Customer D’s nationwide network of stores efficiently and effectively, Customer D has benefitted from the user-friendly and customizable functions and features our HCM solutions offer, which enable Customer D to manage in-store staff attendance and shift scheduling, administer payroll programs, define bonus calculation rules and design assessment criteria for employees in different cities and at different positions.

Customer E

Situation: As a leading logistics transaction platform that manages a vast number of freight transactions on a daily basis, Customer E needed to conveniently and swiftly develop tailor-made features and functions that meet its specific HCM demands, including new hire and employee departure management, performance cycle planning and employee data integration and archives.

Solution: We granted Customer E access to our PaaS infrastructure in 2020 to allow its in-house IT specialists, who have a better understanding of its internal HCM needs than outside IT teams, to develop and expand personalized applications. Leveraging the strong customized application development capabilities our PaaS infrastructure offers, Customer E’s in-house IT specialists created tailor-made functions that transformed its offline, labor-intensive background check for new hires to a swift and smart online process. When an employee tenders a resignation, the newly designed

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applications make a suggestion on whether the organization should retain the employee based on a comprehensive analysis of the employee’s historical performance and overall profile. By holistically analyzing departing employees’ information, such as attendance, payroll, tenure and job performance, Customer E’s HR and business managers can gain insight into possible reasons for their departures, which may include long working hours, unsatisfying compensation and less-than-ideal promotion opportunities. In addition, the new functionality also enables a streamlined process for Customer E’s HR managers to record and analyze the reasons alleged by departing employees to have led to their resignations. This provides Customer E’s HR and business managers with valuable information that can be used to identify the most common reasons behind employees’ resignation decisions, formulate targeted employee retention plans and lower the employee turnover rate. Through our open PaaS infrastructure, Customer E’s in-house IT specialists also developed its customized performance cycle planning functionality that helps to plan and track employees’ periodic performance targets. With our PaaS infrastructure, they also built digital talent archives by breaking the information silos across its different internal systems.

Our subscription agreements with customers typically last for one year. From time to time, we also enter into long-term subscription agreements with a small number of customers that have a term of three years. We entered into long-term subscription agreements with these customers, which operate in a variety of industries with different business scales, mainly to cater to their specific business needs, such as to align with their internal budget cycles. Set forth below is a summary of key terms with our customers:

- *Term.* Typically one year with renewal options and in limited cases, three years.
- *Professional services.* When customers subscribe for our cloud-based HCM solutions, they typically will purchase from us implementation services that are necessary to get the solutions up and running, as well as certain other certain ancillary services. Therefore, purchases of professional services by customers are made under the subscription agreements pursuant to which they subscribe for our cloud-based HCM solutions.
- *Pricing.* We charge our customers fixed subscription fees based on the particular solutions they purchase. Under the subscription agreements, professional services are typically charged a price separate from those of cloud-based HCM solutions.
- *Payment and credit terms.* Subject to the specific solutions and/or services customers select to purchase, customers are typically required to settle our payment either in full upon executing the subscription agreements, or in two installments with the first to be settled once the subscription agreements are signed, and the second to be settled upon delivery of our solutions and/or services. Under the subscription agreements, we do not grant any credit to our customers.
- *Ongoing product support.* We provide ongoing product support services free of charge to customers to address their problems or inquiries on the daily operations of our HCM solutions during the subscription terms.
- *Software updates.* During the terms of subscription, customers are entitled to any software updates on the HCM solutions they subscribe for without additional charges.
- *Intellectual Property.* We retain all our intellectual property rights with respect to our HCM solutions under the subscription agreements.

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- *Confidentiality.* Each party to the subscription agreements shall treat all trade and technological secrets made known to it by the other party in the strictest confidence during and after the contract terms.

During the Track Record Period, we did not experience any material breach of subscription agreements with our customers.

We endeavor to grow alongside our customers’ success. In our ongoing efforts to enhance customer satisfaction and improve service quality, we maintain dedicated customer success and service teams of approximately 160 employees to provide advice to customers on how to best utilize our products, share our industry know-how and insights with them, solve critical problems in product application and provide them with information on the latest product upgrades. The customer success and service teams are also responsible for addressing complaints and concerns from our clients and providing solutions to mitigate and make-positive any unsatisfactory experience.

We believe the superb customer experience that we offer, combined with our robust technical capabilities and profound industry insight, has translated into a growing, loyal and nationwide customer base with attractive upselling and cross-selling opportunities across our solution and service offerings. In the trailing twelve months ended September 30, 2022, we achieved a subscription revenue retention rate of 113%.

OUR SUPPLIERS

During the Track Record Period, our suppliers are predominantly real property development and management companies and IT service providers. We partner with selected suppliers that not only meet our business needs and standards, but also embrace our corporate values, and we strive for business success of every business partner we work with. As of September 30, 2022, we collaborated with approximately 940 suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our suppliers, nor did we experience any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, delay in delivery of our orders from our suppliers.

We usually solicit reputable suppliers through one-on-one negotiations, price inquiries, or open tender process, depending on the estimated purchase amount as well as available sourcing alternatives. Before engaging a new supplier, our procurement department pre-screens supplier candidates based on their certificates and qualifications, quality control systems, reliability, and market reputation, among others, and we only partner with qualified suppliers that meet our standards and specifications. In addition, we have established a comprehensive grading system to manage and incentivize our suppliers. Suppliers are graded based on their price, supply quality, timeliness, professionalism and cooperativeness under different classes. In the meantime, we may discontinue our business relationship with suppliers that are graded as the lowest class.

For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, purchases from our five largest suppliers in each fiscal year during the Track Record Period, which are all Independent Third Parties, in the aggregate accounted for 19%, 18%, 19%, 24% and 24%, respectively, of our total purchases during the relevant periods. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each fiscal year during the Track Record Period.

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The table below sets forth the details of our five largest suppliers in each periods during the Track Record Period.

<u>Rank</u>	<u>Supplier</u>	<u>Type of products / services provided</u>	<u>Principal business</u>	<u>Year(s) of business relationship</u>	<u>Credit terms</u>	<u>Payment method</u>	<u>Purchase amount (RMB '000)</u>	<u>Percentage of our total purchase</u>
<i>For the fiscal year ended March 31, 2019</i>								
1	Supplier A	Rental and property management services	Real property development and management	Five	0 - 15 days	Bank transfer	8,074	5%
2	Supplier B	Rental services	Real property rental and management	Four	N/A	Bank transfer	7,968	5%
3	Supplier C	IT services	Sales of computers and other auxiliary IT equipment	Six	0 - 30 days	Bank transfer	5,112	3%
4	Supplier D	Rental and property management services	Real property development and management	Six	N/A	Bank transfer	4,334	3%
5	Supplier E	Server custody services	IT services	Six	0 -120 days	Bank transfer	3,956	3%
<i>For the fiscal year ended March 31, 2020</i>								
1	Supplier A	Rental and property management services	Real property development and management	Five	0 -15 days	Bank transfer	9,096	5%
2	Supplier B	Rental services	Real property rental and management	Four	N/A	Bank transfer	8,503	5%
3	Supplier D	Rental and property management services	Real property development and management	Six	N/A	Bank transfer	4,779	3%
4	Supplier F	Ride-hailing services	Operation of an online ride-hailing platform	Six	0 - 15 days	Bank transfer	4,987	3%
5	Supplier E	Server custody services	IT services	Six	0 -120 days	Bank transfer	4,105	2%
<i>For the fiscal year ended March 31, 2021</i>								
1	Supplier A	Rental and property management services	Real property development and management	Five	0 - 15 days	Bank transfer	7,806	5%
2	Supplier B	Rental services	Real property rental and management	Four	N/A	Bank transfer	5,999	4%
3	Supplier F	Ride-hailing services	Operation of an online ride-hailing platform	Six	0 - 15 days	Bank transfer	5,040	4%
4	Supplier D	Rental and property management services	Real property development and management	Six	N/A	Bank transfer	4,254	3%
5	Supplier E	Server custody services	IT services	Six	0 - 120 days	Bank transfer	4,111	3%
<i>For the fiscal year ended March 31, 2022</i>								
1	Supplier G	Financial advisory services in connection with our Series F financing round	Investment consulting and financial advisory	One	0 - 15 days	Bank transfer	15,184	7%
2	Supplier C	IT services	Sales of computers and other auxiliary IT equipment	Six	0 - 30 days	Bank transfer	12,688	6%

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Rank	Supplier	Type of products / services provided	Principal business	Year(s) of business relationship	Credit terms	Payment method	Purchase amount (RMB'000)	Percentage of our total purchase
3	Supplier A	Rental and property management services	Real property development and management	Five	0 - 15 days	Bank transfer	10,256	5%
4	Supplier H	Decoration and design services	Real property decoration and renovation	Three	0 - 5 days	Bank transfer	7,539	3%
5	Supplier B	Rental services	Real property rental and management	Four	N/A	Bank transfer	6,660	3%
<i>For the six months ended September 30, 2022</i>								
1	Supplier C	IT services	Sales of computers and other auxiliary IT equipment	Six	0 - 30 days	Bank transfer	13,161	11%
2	Supplier I	Rental services	Real property development and management	One	N/A	Bank transfer	3,880	3%
3	Supplier J	Decoration and design services	Real property decoration and renovation	One	0 - 5 days	Bank transfer	3,879	3%
4	Supplier K	IT services	IT services	One	0 - 30 days	Bank transfer	3,791	3%
5	Supplier D	Rental and property management services	Real property development and management	Six	N/A	Bank transfer	3,642	3%

SALES AND MARKETING

We have developed our sales and marketing strategies centered around customer success and satisfaction, which is an integral part of our core values. This customer-centric, consultative sales philosophy, combined with our integrated solutions and attentive services, has enabled us to maintain a long-term relationship with our customers.

To maximize customer satisfaction during the sales process, we rely on our direct sales force to promote our solutions and services, who we believe is the best representative of not only our solutions and services but also our corporate values. Our direct sales team is organized by geography and industry to leverage our sales personnel’s local connections and industry insights. We require each sales personnel to be capable of selling the full suite of solutions and services, so that our customers can deal with only one contact for whichever solutions and services they purchase from us. Our direct sales team is supported by product and implementation specialists who provide technical and product expertise to facilitate the sales process, to ensure our sales personnel can address customers’ inquiries in time.

We generate customer leads, accelerate sales opportunities and build brand awareness primarily through word-of-mouth referrals by our existing customers, as well as online and offline marketing campaigns. Our principal marketing and branding initiatives include:

- compiling in-depth industry-specific reports, publications and case studies to share industry know-how and insights;
- organizing customer conferences, industry summits and seminars;
- holding spring and autumn product releases to showcase our new products and increase brand awareness;
- engaging in online marketing;

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- sponsoring and participating in executive events, trade shows and industry events; and
- taking public relations and social media initiatives.

We believe our unwavering focus on customer success throughout the sales process has led to a growing, loyal and nationwide customer base with attractive upselling and cross-selling opportunities across our solutions and services.

RESEARCH AND DEVELOPMENT

Our vision and focus on product innovation have fueled our growth and enabled us to continuously improve our existing offerings and develop new HCM solutions. We believe a strong research and development capability is crucial to our continued success and ability to develop innovative product offerings to keep up with rapid development and advances in software technology.

Our research and development efforts have been centered around innovating leading-edge technologies and solutions that address pain points in people science faced by our customers in different industries, thereby fueling their business growth and success in the long term. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we recorded research and development expenses of RMB146.5 million, RMB215.2 million, RMB212.6 million, RMB258.4 million and RMB144.9 million, respectively.

We guide our research and development endeavors with three principles: focusing on customer-centric development from end to end, striving for one-time development success, and maximizing development efficiency. To achieve these goals, we have adopted the integrated product development model, which is a cross-functional collaboration enabling joint product development processes, making sure we develop what customers want in a timely and cost-effective manner. We usually follow the below steps to develop new product features and modules:

- *Step 1: Product Roadmap.* We create our product roadmap based on a variety of factors, including market prospects, our growth strategies, industry competition, as well as feedbacks we collect from our customers. We maintain a list of customers’ feature requests and prioritize developing those most commonly shared by our customers. For one-off personalized feature requests, we offer customized product development services to customers to address their specific business needs. We also open our PaaS infrastructure to selected customers and business partners free of charge in order for their in-house IT specialists to customize product functions and features.
- *Step 2: Product Design and Development.* Following the product roadmap, our research and development team is responsible for designing new applications and features to address customers’ needs. We strive to achieve one-time development success for every product development endeavor, and we require each product iteration project to go through five reviews before entering into the actual development phase, which include project initiation review, summary design review, architecture design review, detailed design review and “one-page” solution review. This allows us to secure the consistently high quality of our product design and development, improving the reliability and stability of our products. With various disciplines within our organization engaged and invested in the outcome under our integrated product development model, we believe we are able to improve development efficiency, ensure product quality and inspire innovations.

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- *Step 3: Product Verification.* During this stage, we verify our new product features and modules from technological, product and market perspectives. We continue to optimize these new product features and modules based on our internal feedbacks.
- *Step 4: Product Launch.* Before we officially launch a new product, our marketing teams make promotion plans to ensure a successful debut. We also revisit the entire product development process through our profit analysis and product acceptance summary with a view to learning from our experience and improving our product development capability.

We have dedicated a management committee to overseeing our every product development endeavor, which takes the initiative to make decisions at various checkpoints. We make continued efforts in optimizing functionality and performance of our existing HCM solutions based on customers’ feedbacks. We generally follow the same development process with respect to software updates for each HCM solution, which are released every two months.

DATA PRIVACY AND SECURITY

When providing our solutions and services, we may have access to certain data of our customers and their employees, which is imported by customers onto our HCM solutions or generated through the use of our solutions and services by customers and their employees. We have devised strict data protection policies to ensure that the collection, use, storage, transmission and dissemination of such data are in compliance with applicable laws and with prevalent industry practice.

To ensure confidentiality and integrity of the data we collect and preserve, we have completed information security, privacy and compliance certifications/validations with the consultation of the relevant governmental authorities in China and various global agencies. We have obtained ISO 27001 Information Security Management System Certification, and our system is on file with the relevant public security authorities in China with a Level 3 information system security level. In addition, we are certified under the Security, Trust & Assurance Registry (STAR) program offered by the Cloud Security Alliance, the world’s leading organization dedicated to defining and raising awareness of best practices to help ensure a secure cloud computing environment.

We are committed to ensuring data integrity and security. We have established our user privacy policies, which clearly set forth how we protect the information and data made available to us throughout its lifecycle. Customers and their employees may access such privacy policies on the portal page of our iTalentX platform.

Data Collection

A range of personal and other information may be collected as our customers and their employees access and use our solutions.

The information we collect from our customers include enterprise names and identification numbers. The information we collect directly from an employee of our customers include (i) information provided by the employee when registering with our system, including his or her name, telephone number and email address; and (ii) information that the employee may be asked to provide when requesting a service from us, including name of his or her organization, position within the organization, and address, and such information fully falls within the scope of information collected by our customers.

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As part of our system security measures, our systems may automatically collect a range of log-in/technical information from users, including users’ IP address, unique device and application identifier, location, the type of internet browser and operating system used, the telecommunication and mobile network used, links the users have clicked on and documents accessed by the users, and other device and system configuration details needed to verify users’ identities and offer our services.

We, as a third-party service provider, do not have control over the types of data our customers collect from their employees. Based on our experience, the information our customers collect from their employees typically include name, age, gender, telephone number, email address, ID number, mailing address, education background, and prior work experience, as well as other information depending on the specific solutions used and the objectives that our customers and their employees want to achieve using our solutions. For example, organizations using our Payroll Cloud will need to enter payroll information of their employees to calculate social security contributions and manage income tax calculation and withholding.

While the foregoing personal and other information collected is stored and preserved by us on our self-operated cloud infrastructure, our customers retain the ownership of such data.

We are advised by our PRC Legal Advisor that, since (i) the purposes and manners of the use of employees’ data are decided by our customers at their sole discretion, and (ii) we, as the service provider, only process such data for the purposes and in the manners designated by our customers, our customers, rather than us, shall bear the relevant compliance obligations as “personal information processors” under the applicable PRC laws, especially the PRC Personal Information Protection Law, including seeking consent from their employees for collection, usage and storage of relevant employee data to power our HCM solutions and services. As advised by the PRC Legal Advisor, pursuant to the PRC Personal Information Protection Law, “personal information processor” refers to an organization or individual that independently determines the processing purpose and method in the processing of personal information. The personal information processor shall be obligor to ensure that the personal information processing activities are compliant with the relevant laws and regulations, and a personal information processor may process personal information of an individual only in specified circumstances including where it has obtained consent from such individual. In providing cloud-based SaaS solutions to our customers, we do not determine the processing purpose and method of the personal information (i.e. whose data shall be collected; what type of personal information shall be collected; in what manner the personal information shall be processed, etc.) which are determined by our customers or third party vendors who directly collect personal data through their respective online recruitment platforms. Based on the foregoing, the PRC Legal Advisor is of the view that it is the customers’ and third party vendors’ (not our) responsibility to collect data and obtain consent from their respective employees or candidates, and such arrangement complies with all applicable PRC laws and regulations.

Customers’ employees may also provide their personal information directly to us by using certain functions of our HCM solutions. For example, when an employee uses our Attendance Management Cloud module to clock in and out, we may have access to the employee’s location information. We have made public our privacy policies to notify customers’ employees of the potential information collection, and employees also have the option not to provide such personal information by disabling the relevant functions.

In limited circumstances, we also collect certain information and data, such as name, contact information and log-in details, directly from our customers, mainly for user account registration and

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ongoing product support purposes. Our internal data protection policies require we notify customers of the type, potential uses, duration of data preservation and identity of data processors with respect to the data we collect from the customers. Without prior consent from our customers, we are not allowed to collect any information or data from such customers.

During the Track Record Period and up to the Latest Practicable Date, we did not provide services for the overseas operations of our customers, and did not collect or process personal information of foreign residents.

Data Usage and Sharing

In our privacy policies, we fully disclose the potential uses of information and data received from our customers and their employees, which may include:

- enabling our services and ensuring our solutions function properly;
- allowing us to connect with the relevant customers and/or their employees and provide ongoing product support;
- ensuring security and reliability of our solutions and services by verifying visitors’ identity against the information and data on file;
- using information and data on an anonymous basis for internal audit, analysis and research purposes; and
- assisting with regulatory investigations or other legal proceedings in accordance with applicable laws and regulations, and court or administrative orders.

In the event that we need to use the information and data of our customers and/or their employees for purposes other than the above, we will notify the relevant parties and seek their explicit consent before we proceed.

Data Storage and Transmission

We require that information and data we receive in China shall be stored and preserved within China. Except in the event that customers access their own data from an overseas location, no cross-border transmission of customers’ data is allowed. We take, and also require our business partners to take, appropriate measures, such as data encryption, to prevent data leakage when the data is in transmission.

Data Sharing, Transfer and Disclosure

Subject to certain exceptions specified in our private policies, we constrain ourselves from sharing any personal information and data made available to us with any person without explicit consent from our customers and/or their employees. The exceptional situations may include, for example, for certain services that are jointly provided by our business partners and us, we may share the relevant information and data with such business partners to the extent necessary to enable our services and improve customer experience.

We do not transfer information and data collected or preserved by us to any person, unless with prior explicit consent. Without consent from customers, we are prohibited from disclosing customers’ data to any third party, unless such disclosure is mandated by a court or administrative order.

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Data Retention and Destruction

To comply with applicable PRC laws and regulations on personal information protection, our current form of subscription agreement with customers provides that we destruct a customer’s information and data within 15 working days upon expiry of the customer’s subscription, except as agreed otherwise. Customers sometimes request us to retain their information and data for a longer period, typically one month, upon expiry of their subscriptions, primarily to facilitate the data export process, or to allow sufficient time for them to decide the subsequent handling of the relevant information and data. As laws and regulations on personal information protection are constantly evolving, we have been closely monitoring the latest legislative progress, and we intend to update our data retention and destruction policies strictly in compliance with existing and future laws and regulations that are applicable to us.

Data Protection

We attend to data privacy and security in accordance with stringent requirements of our internal policies and procedures, and the various programs we are accredited to.

- *Data encryption.* Privacy is built in from the beginning. Our HCM solutions include encryption technologies and techniques designed to limit access to our customers’ data and minimize leakage and unauthorized use. For our multi-tenant architecture, we have tenant separation walls preventing one tenant from accessing another tenant’s information.
- *Data access.* We have clear and strict authorization and authentication procedures and policies in place. Our employees only have access to data which is directly relevant and necessary for their responsibilities and for limited purposes and are required to verify authorization upon every access attempt.
- *Data backup.* We adopt a combination of full backup and incremental backup, making sure the data we collect is well maintained. We use distributed storage of data with multiple data replicas to increase security level. Our system also permits cross-region disaster recovery, helping customers encounter unforeseen accidents.
- *Vulnerability scanning.* We implement a vulnerability scanning program, which serves the overarching goal to protect customers from unauthorized breaches and the exposure of sensitive data. We identify security weaknesses and flaws throughout our product development cycle, and we sometimes engage third-party service vendors to conduct external security tests on our systems and solutions.

These internal policies and procedures on data protection are also applicable to data stored in the third-party cloud-based infrastructure.

Our data security team is responsible for overseeing our group-wide data privacy and security work in our daily operation. Our data security team has five dedicated team members, comprising one vice president supervising the group-wide data security work, a team head and three engineers. The team members of our data security team hold various globally-recognized qualifications, including Certified Information Systems Security Professional and Certified Cloud Security Professional, and the head of our data security team has over 10 years of relevant work experience. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material information leakage or loss of data.

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Our PRC Legal Advisor has advised us that (i) the purposes and manners of the use of employees’ data are decided by our customers at their sole discretion, and (ii) we, as the service provider, only process such data for the purposes and in the manners designated by our customers, and therefore our customers, rather than us, shall bear the relevant compliance obligations as “personal information processors” under the PRC Personal Information Protection Law.

Based on its review of the data protection policies and measures we have adopted, our PRC Legal Advisor is of the view that we are in compliance with all applicable PRC laws and regulations governing data protection and privacy in all material aspects.

In relation to the sufficiency and effectiveness of our Group’s internal measures on data privacy and security, our internal control consultant reviewed selected areas of the internal control over financial reporting, including the maintenance of sensitive information, data protection and confidentiality. Based on its work, our internal control consultant did not have any further recommendation on the sufficiency and effectiveness of our internal measures, including those on data privacy and security, in the internal control review.

COMPETITION

We operate in the highly competitive HCM industry in China and are faced with intense competition, including competition for customers, technology and talents. We currently compete with cloud-based HCM solutions providers, enterprise software providers and potential new market entrants both in China and around the world based on a number of factors, mainly including product functionality and scope, performance, scalability and reliability of services, technology capabilities, marketing and sales capabilities, customer experience, pricing, brand recognition and reputation. According to CIC, the pricing of our cloud-based HCM solutions and professional services is generally consistent with the industry norm.

Specifically, we primarily compete with established local cloud-based HCM solutions providers in China, which offer similar software modules and professional services as ours. We face competition from these local peers in a variety of aspects, including customer acquisition and retention, technology innovation, product pricing, as well as talent pool.

As compared with these local peers, global cloud-based HCM solutions providers have relatively limited business presence in China, whose products and services are not particularly tailored for local needs. As of the end of 2021, the number of global cloud-based HCM solutions providers accounted for less than 10% of the aggregate number of market players in China’s HCM digitalization market or cloud-based HCM solutions market. In 2021, among the top five players in terms of revenues in China’s HCM digitalization market or cloud-based HCM solutions market, there was only one global cloud-based HCM solutions provider, according to CIC. We believe we are able to compete effectively against these global cloud-based HCM solutions providers leveraging our tailored solutions and services that are designed to address the pain points of Chinese enterprises as well as our extensive local experience and insights into Chinese enterprises’ needs and preferences.

In addition, we also compete with enterprise software providers which have built long-standing relationships with businesses in China across different industries. Some of their customers may be reluctant to adapt to cloud-based HCM solutions and may choose to continue to use traditional on premise HCM software offered by these enterprise software providers. Furthermore, while these

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enterprise software providers are expertized at on-premise software, they have been expanding their footprints into cloud-based applications in recent years in response to customers’ growing demands. In 2021, among the top five players in terms of revenues in China’s HCM digitalization market, there were three enterprise software providers, and among the top five players in terms of revenues in China’s cloud-based HCM solutions market, there was only one enterprise software provider, according to CIC. We compete with these enterprise software providers based on our robust capabilities of our cloud-based HCM solutions and our first-mover advantages in the cloud-based HCM solutions market. Competition may become more intense if new players, such as technology giants who have robust technology capabilities and extensive product development experience, decide to tap into our industry. For a detailed discussion of our competitive advantages over each type of our major competitors in the industry, see “Industry Overview — Cloud-based HCM Solutions Market in China — Competitive Landscape.”

We believe that we are well-positioned to compete effectively on the basis of the foregoing factors. Nevertheless, our competitors may have longer operating history, greater brand recognition, broader global footprint, larger customer bases as well as greater financial, technical and other resources. See “Risk Factors—Risks Relating to Our Business and Industry—The markets in which we participate are competitive, and if we do not compete effectively, our business, financial condition and results of operations could be adversely affected.” in this Document. For more information on the competitive landscape of our industry, see “Industry Overview.”

INTELLECTUAL PROPERTY

We regard our patents, copyrights, trademarks, domain names, know-hows, proprietary technologies, trade secrets and other intellectual property rights as critical to our business operations. As of the Latest Practicable Date, we had registered 103 software copyrights, 50 copyrights, 12 patents, 66 trademarks and 121 domains in China. In addition, we had submitted applications for one patent and three trademarks as of the Latest Practicable Date.

We rely primarily on a combination of patents, copyrights, trademarks, trade secret and unfair competition laws and contractual rights, such as confidentially agreement, to protect our intellectual property rights. We clearly state all rights and obligations regarding the ownership and protection of intellectual properties in all employment agreements and in most commercial agreements we enter into. In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, (ii) deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership of our intellectual properties, and (iv) engaging professional intellectual property service providers.

We intend to protect our technology and proprietary rights vigorously, but there can be no assurance that our efforts will be successful. As of the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties’ intellectual property rights in the PRC. Nevertheless, third parties may from time to time initiate litigations or claims against us alleging infringement of their proprietary rights, or declaring their non-infringement of our intellectual property rights. See “Risk Factors—Risks Relating to Our Business and Industry—We may be sued by third parties for alleged infringement of their proprietary rights” and “Risk Factors—Risks Relating to Our Business and Industry—If we fail to adequately protect our proprietary rights, our business may be harmed.”

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EMPLOYEES

As of September 30, 2022, we had 2,295 full-time employees, and approximately 37% of our full-time employees were based in Beijing, while the remaining 63% of them were based in various other cities in the PRC. The following table sets forth the number of our full-time employees by function as of September 30, 2022.

<u>Function</u>	<u>Number of Employees</u>	<u>% of Total Number of Full-time Employees</u>
Operation and product support	783	34.1
Sales and marketing	725	31.6
Research and development	626	27.3
General and administrative	161	7.0
Total	<u>2,295</u>	<u>100.0</u>

Our success depends on our ability to attract, retain and motivate qualified employees. To this end, as part of our human resource strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives and benefits. As a result, we have generally been able to attract and retain qualified employees and maintain a stable core management team.

We primarily recruit our employees through on-campus job fairs, recruitment agencies and online channels, including our corporate website and third-party employment websites. We enter into standard employment agreements with all of our employees. We provide regular training and reviews to our employees to enhance their performance.

As required by PRC laws and regulations, we participate in housing provident fund and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, unemployment and maternity benefit plans. We or agents engaged by us are required under PRC laws and regulations to contribute to employee social security plans at specified percentages of the salaries, bonuses and certain allowances of our employees.

Our employees are not currently represented by any labor union. We believe that we maintain good working relationship with our employees and we had not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

We have leased properties across China. We do not own any property but instead lease our premises from Independent Third Parties with a view to reducing our capital investment requirements.

As of September 30, 2022, none of the properties held by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group’s interests in land or buildings.

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Leased Properties

As of the Latest Practicable Date, we leased 35 properties from independent third parties with an aggregate gross floor area of approximately 25,344 square meters. Our leased properties are primarily used for office use.

Title Defects

As of the Latest Practicable Date, 11 of our leased properties in China with an aggregate gross floor area of approximately 5,466 square meters were subject to potential title defects. The lessors of such leased properties had not provided us with the relevant title ownership certificates for the leased properties or proof of authorizations from the property owners to sublease the properties to us. As a result, these leases may not be valid, and there are risks that we may not be able to continue to use such properties. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any safety issues or disputes with respect to these defective leased properties.

Lease Registration

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered or filed with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, 32 properties we leased had not been so registered or filed. These properties have an aggregate gross floor area of approximately 17,904 square meters. Our lessors' failure to provide the necessary documents for us to register the leases does not result in any reduction in rent. Similarly, in our experience, the proper registration of leases does not result in any material increase in the rent charged by the relevant lessor.

As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. The aggregate amount of maximum fine will be approximately RMB320,000, which our Directors believe will not have any material adverse impact on our business operations. See also “Risk Factors—Risks relating to Our Business and Industry—We may be subject to fines for failing to register and file lease agreements with the relevant government authorities in China.”

Having considered the foregoing, our Directors believe that the non-registrations of leases described above will not, individually or in the aggregate, materially affect our business and results of operation, on the bases that: (i) no penalty had been imposed on us for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date, (ii) we were advised by our PRC legal advisor that, if the lease registration can be completed in accordance with relevant laws and regulations within a reasonable time from the date of application or the prescribed time limit ordered by the competent governmental authorities, the risk of governmental authorities imposing a material penalty on us with respect to these leased properties is remote, and (iii) we have designated a dedicated team to work on the lease registration by proactively communicating with the lessors in order to obtain their cooperation and collect the application documents for the relevant lease registration, and we and the lessors have submitted the application documents for lease registration where those documents are complete.

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INSURANCE

We do not maintain any property insurance policies covering our equipment and facilities for injuries, death or losses due to fire, earthquake, flood or any other disaster. Consistent with customary industry practice in China, we do not maintain business interruption insurance, nor do we maintain key-man life insurance. We believe our insurance policies as a whole are in line with the general market practice and comply with the relevant rules and regulation in China. See “Risk Factors—Risks Relating to Our Business and Industry—We may not have sufficient insurance coverage to cover our potential liability or losses.”

LICENSES AND PERMITS

As of the Latest Practicable Date, we had obtained requisite licenses, approvals and permits from relevant governmental authorities that are material to our business operations in China. The following table sets out a list of the material licenses and permits currently held by us.

<u>Name of Licenses, Permits and Approvals</u>	<u>Holder</u>	<u>Expiry Date/ Registration Status</u>
Value-added Telecommunication Business License (增值電信業務經營許可證)	Onshore Holdco	February 15, 2028

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been a party to, and were not aware of any threat of, any legal, arbitral or administrative proceeding, which, in our opinion, would likely have a material and adverse effect on our business, financial conditions or results of operation. We have been, and may from time to time, be subject to various legal claims and proceedings arising in the ordinary course of our business. Litigation or any other legal proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management’s time and attention. For the potential impact of legal proceedings on us, see “Risk Factors—Risks Relating to Our Business and Industry—We are subject to risks relating to litigation and disputes, which could adversely affect our business, prospects, results of operations and financial condition.”

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Overview

We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. Corporate social responsibility is viewed as part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our Shareholders by embracing diversity and public interests. Accordingly, our Board of Directors [has adopted] a comprehensive policy on environmental, social and corporate governance, or ESG, responsibilities (the “**ESG Policy**”) in accordance with the Listing Rules, which sets forth our corporate social responsibility objectives and provides guidance on practicing corporate social responsibility in our daily operations.

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Under our ESG Policy, we aim to build a sustainable community with our employees, customers and business partners by supporting local initiatives that aim to create effective and lasting benefits to the local community, through various initiatives that may include corporate philanthropy, establishing community partnerships, and mobilizing our employees to participate in volunteer work. For example, we have established scholarships at Renmin University of China to foster talents and future leadership. We also proactively participated in Jack Ma Rural Teachers Initiative, a philanthropy program funded by Jack Ma Foundation to recognize and support outstanding rural teachers. By creatively combining our expertise and insights with the purposes of the program, we tailored our solutions to help identify suitable rural teacher candidates with a strong sense of mission and empathy to power rural education in China.

In addition, we also endeavor to reduce any negative impacts on the environment through our commitment to energy saving and sustainable development. We will also focus on embracing diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. While maximizing equal career opportunity for everyone, we will also continue to promote work-life balance and create a pleasant workplace for all of our employees.

As we do not operate any production facilities, we are not subject to significant health, work safety, social or environmental risks. To ensure compliance with applicable laws and regulations, our human resources department would, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, work safety, social or environmental regulations, nor had we incurred any material compliance costs in relation to climate change.

Our Board of Directors has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Group, and evaluating, determining and addressing our ESG-related risks at least once a year. Our Board of Directors may assess or engage independent third party(ies) to evaluate the ESG risks and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

Potential Impact of ESG-Related Risks

We have identified the potential acute and chronic physical risks from climate change, especially extreme weather conditions, which may have potential impact on our business operation and financial condition. Extreme weather conditions, such as rainstorms and typhoons, may result in power outage of computer rooms and damages to our IT infrastructure. Customers may experience service outage and data loss that may subject us to financial liabilities and reputational damage. In order to address these challenges, we have established emergency plans and taken steps including deploying backup power supply and adopting data protection measures.

Additionally, potential transition risks may arise from the transformation to a low-carbon economy which entails changes in climate-related regulations and policies. Increasingly tightened environmental regulations may require significant investment to be made to operate our business in a more eco-friendly fashion. Any failure to respond to the public’s growing environmental awareness may result in reputational damage and customer losses.

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Nevertheless, due to our effective internal control and risk management measures as outlined in details below, our business, results of operation and financial condition had not been materially adversely impacted by any climate-related incident during the Track Record Period and up to the Latest Practicable Date.

Our Strategies to Address ESG-Related Risks and Opportunities

Climate-related issues are among our key agenda. Supervised by our Board, we actively identify and monitor the climate-related risks and opportunities over the short, medium and long term, and we seek to incorporate such climate-related issues into our businesses, strategy and financial planning. Set forth below is a summary of the climate-related risks that we have identified over the short, medium and long term:

	Climate-related risks	Potential impact
Short term (current reporting period)	<ul style="list-style-type: none"> • Extreme weather conditions such as rainstorms and typhoons 	<ul style="list-style-type: none"> • Service outage and data loss, and the resulting financial liabilities and reputational damage
Medium term (one to three years)	<ul style="list-style-type: none"> • Heightened environmental regulatory oversight 	<ul style="list-style-type: none"> • Increased operating and compliance costs
Long term (above three years)	<ul style="list-style-type: none"> • Global initiatives for carbon emission reduction 	<ul style="list-style-type: none"> • Higher operating costs and/or tax burdens due to stringent environmental regulations

Our Board will evaluate the likelihood of occurrence and the estimated magnitude of the resulting impact over short-, medium- and long-term horizons. The decision to mitigate, transfer, accept or control a risk is influenced by various factors such as business location, cost-benefit analysis and change in regulatory landscape. We will incorporate physical and transition risk analysis into risk assessment processes and risk appetite setting. If the risks and opportunities are considered to be material, we will incorporate them into the strategy and financial planning process. It is expected that the extreme weather conditions for potential physical risks, and change in climate-related regulations and policy for potential transition risks would not have a material impact on our operation in the short and medium terms. We also aim to minimize the transition risk in the long term through reducing our carbon footprints. We have been and will continue taking mitigating steps to address these climate-related risks, including establishing and monitoring various metrics and targets to advance our ESG goals.

Climate Risks Relating to IT Infrastructures

During the Track Record Period, the cloud infrastructure hosting our cloud-based HCM solutions was operated and maintained by our own servers operated in custody with a third-party data center, and we also used various third-party cloud infrastructure, such as Ali Cloud and Tencent Cloud, to support certain aspects of our business operations.

Server farms and data centers maintaining these IT infrastructures have significant impact on the environment due to their high energy consumption and carbon emissions. These facilities consume large amounts of electricity to power their servers, cooling systems, and other equipment, leading to increased demand for energy from power plants, many of which rely on fossil fuels. The production of electricity from fossil fuels such as coal and natural gas results in the release of greenhouse gases,

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primarily carbon dioxide, which contribute to global warming and climate change. In addition, the cooling systems used in data centers often rely on refrigerants that can be harmful to the ozone layer and contribute to global warming.

Since our business operations rely on these IT infrastructures, we may be exposed to several climate risks, including:

- *Energy price volatility.* As the demand for energy increases, the cost of energy can become more volatile, leading to potential price increases that could impact the operating costs of server farms and data centers and ultimately, the prices charged by server custody and/or cloud computing services provided to us.
- *Physical risks from extreme weather events.* Server farms and data centers may be vulnerable to physical risks such as floods, hurricanes and wildfires, which can damage critical infrastructure, disrupt services, and result in downtime for customers.
- *Regulatory risks.* Governments and regulatory bodies are increasingly taking action to address climate change, which could result in new regulations and policies that impact the operations of server farms and data centers.
- *Reputation risks.* Customers and stakeholders are becoming more aware of the environmental impact of server farms and data centers and may choose to avoid companies that are perceived to have a negative impact on the environment.

To mitigate climate risks, we prioritize energy efficiency when selecting service vendors, and partner with data centers that have implemented sustainable practices and committed to reducing their carbon footprint. Our primary server custody service vendor has developed and implemented carbon neutrality strategies, utilizing clean technologies such as renewable energy generation, photovoltaic power, and large-scale energy storage to minimize its environmental impact. Our vendor agreement also includes requirements for compliance with all applicable environmental laws and regulations.

Metrics and Targets

While we operate a SaaS business model that does not produce emissions or consume resources significantly, we believe in the importance of caring for our planet and strive to balance our role as a for-profit company with the betterment of people of the planet. We have established a comprehensive of key performance indicators to constrain and guide our business operations.

Power Usage

Metrics and targets. We endeavor to proactively conserve energy in response to the government’s initiatives. In the two months ended February 28, 2023, our power usage was 0.2 million kWh. We intend to continue to reduce the level of our power usage over the next three years.

Measures leading to the targets. We install energy-efficient equipment and facilities in the office and ensure lights and electric devices are switched off when out of use. We urge employees to set air-conditioning temperature in a reasonable manner, and close the windows when the air conditioner is turned on. We also raise energy consumption awareness of our employees during our trainings and campaigns.

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Water Usage

Metrics and targets. We voluntarily take on our social responsibilities to practice water conservation. In the two months ended February 28, 2023, our water usage was 170 m³. We intend to continue to reduce the level of our water usage over the next three years.

Measures leading to the targets. We regularly inspect our water tanks to prevent water leakage. We strive to foster water conservation culture in our Group through a variety of activities and campaigns. For example, we post slogans on saving water in our office, calling on employees to practice water conservation in their daily life.

Resource Consumption

We endeavor to reduce negative impact on the environment through our commitment to energy saving and sustainable development. We actively promote the idea of paperless workplace, and we encourage double-sided printing of documents in our office.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as information system, regulatory compliance, human resources and financial reporting.

Our Board of Directors is responsible and has the general power to supervise the operations of our business, and is in charge of managing the overall risks of our Company. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures. Our Board of Directors will monitor the ongoing implementation of our risk management policies and corporate governance measures. The Audit Committee under our Board of Directors comprises three members, namely Mr. Zhao Hongqiang, Mr. Ge Ke and Mr. Du Kui, with Mr. Zhao Hongqiang (being our independent non-executive director with the appropriate professional qualifications) as chair of the audit committee. For the professional qualifications and experiences of the members of our Audit Committee, see “Directors and Senior Management.”

Information System Risk Management

We pay close attention to risk management relating to our information system as sufficient maintenance, storage and protection of user data and other related information is critical to our success. We have designed and adopted strict internal procedures to ensure that our data is protected and that leakage and loss of such data are avoided. For details, see “—Data Privacy and Security.”

Regulatory Compliance Risk Management

In order to effectively manage our regulatory compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our

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customers, suppliers and other business partners. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations under our business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines. We continuously improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees’ violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient. We have an employee code of conducts in place, which contains internal rules and guidelines regarding basic working rules, work ethics, confidentiality, negligence, anti-bribery and anti-corruption. We provide our employees with regular training and resources to explain the guidelines contained in the employee code of conducts.

Human Resources Risk Management

We have established internal control policies covering various aspects of human resources management such as recruiting, training, work ethics and legal compliance. The demand in our industry for qualified talent is intense and we may be adversely affected by the departure of any key employees. See “Risk Factors—Risks Relating to Our Business and Industry—We depend on our senior management team and the loss of one or more key employees could materially and adversely affect our business, financial condition and results of operations.” Each of our executive officers and key employees has entered into with us an employment agreement containing confidentiality, intellectual property and non-compete provisions.

We also require our employees to conform to high ethical standards. We have in place an employee handbook and a code of conduct which is distributed to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and anti-corruption. In particular, our code of conduct explicitly requires that all employees comply with any applicable anti-corruption laws, regulations and policies, and they are prohibited from making illegal or improper payments to any government official, either on their own or via third parties. Additionally, our employees and their family members are not allowed to solicit or accept gifts, travel, hospitality or anything of value to the extent such favors or advantages may influence their professional judgments. Under our firm-wide whistle-blowing policy, we make our internal reporting channel open and available for our employees to report, on an anonymous basis, any noncompliance incidents and acts, including bribery and corruption.

We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook. We also provide regular and specialized training tailored to the needs of our employees in different departments, through which we enable our employees to better comply with applicable laws and regulations in the course of conducting business.

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Financial Reporting Risk Management

We have a complete set of accounting policies and procedures in connection with our financial reporting risk management, such as financial reporting management, internal control, investment management and budget management. Our financial department reviews our management accounts and internal control procedures based on such policies and procedures. In addition, we provide regular training to our financial department staff to ensure they understand our accounting policies and procedures and implement them in our daily operations.

AWARDS AND RECOGNITION

During the Track Record Period, we have received a variety of awards and recognitions for the quality and popularity of our solutions and services. The following table sets out a list of major awards and recognitions we had received during the Track Record Period.

<u>Award/Recognition</u>	<u>Award Year</u>	<u>Awarding Institution / Authority</u>
Top 20 Chinese Emerging Internet Enterprises	2021 and 2020	Internet Society of China
2021 Forbes China Enterprise Technology 50	2021	Forbes China
2020 HRTechChina Best Service Providers ...	2021	HRTechChina
2020 HRTechChina Best Products	2021	HRTechChina
The First Place of SPARK Navigator HCM Application Track of 2020	2021	HRRoot
The Annual Influential HR Service Institute of 2020	2020	GHRlib
The Best HR Solution of 36Kr’s WISE2020 Enterprise Service Golden List	2020	36Kr
Top 20 Chinese Emerging Internet Enterprises	2019	The Ministry of Industry and Information Technology